FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,482 | Monday March 7 1988 | D 8523 A

Kremlin reforms upset ethnic leaders, Page 3

World News

US financial freeze puts pressure on Noriega

The beleaguered military-dominated regime of General Manuel Antonio Noriega in Panama is being strangled financially by the freeze imposed by a US court last week on its few remaining liquid assets.

The freeze followed Gen Noriega's palace coup 10 days ago against figurehead President Eric Arturo Delvalle, whose supporters applied to the courts with US Administration backing.

This led to an acute cash shortage forcing the Government to close all banks indefinitely last Friday. Page 3

EC warning to Pretoria

European Community is to warn the Pretoria Government not to interfere with EC aid programmes for human rights groups and trade unions in South Africa in response to draft proposals to block foreign funding for organisations with broadly defined "political purposes." Page 3

Moscow protest

The Soviet Union has issued a protest against South Africa's ban on the activities of 17 anti-apartheid groups and curb restrictions on the country's main trade union organisation.

E German arrests

East Germany has arrested more than 100 citizens seeking to emigrate to West Germany, in a sweep by security forces designed to stop several hundred thousand people applying repeatedly for permission to leave for the West. Page 16

Anti-Stalin rally halted

Soviet authorities manhandled about 25 people into vans, amid scuffles, in Moscow's October Square in a swift attempt to prevent a demonstration in support of the de-Stalinisation of Soviet society. The protestors were released after eight hours. Page 3

Soviet-UK TV link

Soviet and British audiences will communicate directly via satellite in a six-day series of television bridges beginning on Sunday with a Moscow-London link.

Mob attacks embassy

A mob tried to storm the Soviet Embassy in Iran's capital, pelting the building with rocks, trying to set fires and threatening the lives of Soviet diplomats and their families, Tass, the official Soviet newsagency, said.

US aircraft fired on

Two US military helicopters came under heavy machine-gun attack from an oil platform and ships in the central Gulf. Iranians were suspected.

Waldheim admission

Austria's President Kurt Waldheim admitted in a television interview that he knew about the wartime interrogation and execution of British commandos in Greece, but did nothing.

Ershad victory

President Hussain Muhammad Ershad's Jatiya Party won 238 seats of the 279 results declared in Bangladesh's elections, which were marred by violence and fraud allegations. Page 4

Miners in cocaine trek

Some 500 unemployed miners crossed the Andes on foot to join forces with coca farmers defying a US-backed government plan to cut back on Bolivia's cocaine production.

Sub crashes into oil rig

A West German submarine on manoeuvres crashed into a Norwegian oil rig in the North Sea, forcing the evacuation of the 200 men on the platform, state television reported. No one was hurt. Page 2

Chirac rejects coalition

French Prime Minister Jacques Chirac ruled out a new era of power-sharing between a socialist president and a conservative government after this year's presidential election.

Business Summary

Statoil plans programme of radical restructuring

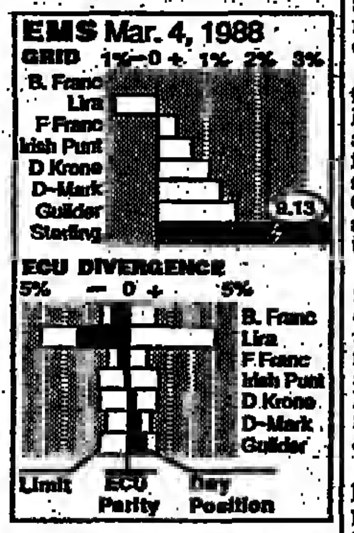
STATOIL, Norway's state oil company, plans a radical restructuring under which three divisions — exploration and production, marketing and refining, and petrochemicals — will be established within a fully integrated company. Page 19

PIRELLI GROUP, Italian tyre manufacturer, held an intensive series of board meetings over the weekend amid speculation that it is set to bid for Firestone Tire & Rubber of the US. Page 16

EUROPEAN Monetary System: The Belgian franc was slightly weaker against its European currency unit central rate last week but was under no real pressure.

This was underlined by a 0.25 per cent cut in the Belgian discount rate to 6 per cent.

Elsewhere, currencies traded steadily and well within their divergence limits, a factor stressed earlier in the week by French Finance Minister Edouard Balladur. Currencies, Page 32



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

BELGIUM'S caretaker government has urged Carlo De Benedetti, Italian entrepreneur, and his rivals to end a fierce battle for control of Société Générale de Belgique, Belgium's biggest company, and negotiate a strategy for its future. Page 19

COCOA: Producer and consumer countries remain far apart after initial discussions in London on measures to halt the slide in prices. Page 4

HEINEKEN, Dutch brewer, reported flat earnings for 1987 as net profits inched up to Fl 286.7m ($150.8m) from Fl 285.3m in 1986. Earnings per share edged higher to Fl 11.16 from the Fl 11.11 posted for the previous year. Page 19

DEUTSCHE Genossenschaftsbank (DG Bank), West German co-operative bank, has announced the country's first equity flotation since October's stock market crash — the sale of a 24.9 per cent stake in Deutsche Verkehrs-Kredit-Bank (DVKB), in-house bank of the federal railway system. Page 18

AU PRINTEMPS, French department store group, has announced a limited bid for La Redoute, mail order specialist, aimed at taking its stake in the company to 50.01 per cent. Page 19

AUSTRALIA'S Economic Planning Advisory Council has warned that tougher fiscal and wage policies are needed to stabilise the country's net foreign debt, which stands at A$87bn (£35.7bn). Page 4

TRELLEBORG, Swedish industrial group with interests in rubber and plastics, reported a strong increase in profits and sales last year due almost entirely to its acquisition in 1987 of Boliden, Swedish metals and mining, chemicals and trading concern. Page 19

Bush wins South Carolina on eve of Super Tuesday

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

SUCH was Mr George Bush's victory in Saturday's South Carolina primary that it has triggered predictions that by the end of "Super Tuesday" the US Vice President will have won more than half the delegates he needs to win the Republicans' presidential nomination. Republicans vote tomorrow in primaries and caucuses in 17 states.

Mr Bush won more than twice as many votes in South Carolina as his nearest rivals Senator Robert Dole and Mr Pat Robertson, the former television evangelist.

The Vice President's triumph represents a big setback for Mr Robertson, who only two weeks ago was predicting that he would win the primary in a state which has a large population of fundamentalist Christians.

Instead he came third with only 19 per cent of the vote. Polling data from voters leaving the ballot stations provided no evidence that Mr Robertson had been able significantly to broaden the base of his support beyond the evangelical Christian community on which his campaign has been founded.

On the contrary there was evidence that Mr Robertson has had to split both a divided evangelical Christian vote and the support of nominal Democrats who voted in the Republican primary, with his main rivals, particularly Mr Bush.

Senator Dole was second with 21 per cent of the record 200,000 votes cast while Congressman Jack Kemp finished with only 12 per cent, reinforcing doubts about his ability to fight on beyond this week.

By winning so handsomely — Mr Bush took 48 per cent of the votes and as a result seemed likely to win all 37 of South Carolina's delegates to the Republican convention in New Orleans in August — he has reinforced his position as the front runner in the Republican primaries and caucuses tomorrow.

He now goes toto these contests not only as the best organised and best financed candidate, bot also with the political momentum which will make it even harder for his rivals to argue that his support is broad, but not very deep.

Saturday's results will have been particularly disturbing for Senator Dole. He has been hoping that Mr Robertson would do well in the South and weaken the Vice President's position.

Senator Dole's best chance of defeating Mr Bush has coms increasingly in turn on the Mr Robertson's performance on Tuesday.

A strong showing by the former Baptist minister would not only deny Mr Bush delegates but also revive questions about his electability and reinforce concerns about deepening ideological schisms in the party.

South Carolina's results, while they clearly cannot be seen as accurately predicting the relative strengths of the Republican candidates in states as diverse as Texas, Florida and Virginia in

Continued on Page 16

Four-nation European fighter project set for $35bn go-ahead

BY PETER RIDDELL IN LONDON AND HAIG SIMONIAN IN FRANKFURT

THE FOUR-NATION European Fighter Aircraft project is finally set to receive the go-ahead for development, at a total cost of $35bn, following lengthy arguments about the cost and specifications.

British ministers are now confident that the remaining problems have at last been resolved and that commitments to full-scale development can be signed by representatives of West Germany, Italy and Spain, as well as the UK, at a meeting in early-to-mid May.

The project (known as EFA) is intended to provide up to 800 aircraft which will enter service in the mid-1990s as the main Nato fighter-interceptors and ground-attack aircraft. The Royal Air Force wants the aircraft to replace its ageing Phantoms and Jaguars.

The timetable for agreement has slipped several times in the past year, largely because of concern in West Germany about the cost. The defence ministries of the partners have wanted to be sure that any savings are not at the expense of acceptable performance.

The key development has involved Mr Manfred Wörner, the German Defence Minister, who is due to take over this summer as the next Nato Secretary General. He has backed the project's development phase after the defence ministry won concessions last month from Messerschmitt Bölkow Blohm (MBB), the leading German contractor in the project, to trim costs.

However, the scheme remains unpopular in other ministries in Bonn because of its expense, and the West German requirement has been scaled down to 200 aircraft from 250 planned previously.

There has been concern in London that the continuing heavy costs may put pressure on other parts of the defence equipment budget, notably the ordering of tanks and frigates. However, the Ministry of Defence's equipment policy committee has backed the EFA in preference to the US F-18 fighter or a purely British version.

The project will be developed by a Munich-based group involving British Aerospace, MBB of West Germany, Aeritalia of Italy and Casa of Spain as the prime industrial contractors, with a separate consortium for the radar.

A delegation of senior US officials, led by Mr Dennis Kloske, a depnty under-secretary of defence at the Pentagon, will be meeting civil servants from the defence ministries of the countries involved in Bonn later today.

The US team will be presenting details of an improved version of the F18 fighter, made by McDonnell Douglas, which has in the past been put forward as a cheaper alternative to the EFA, with the bait of European involvement in production.

The meeting will be "essentially factual," with no negotiations taking place, according to a US official. The meeting had been planned for about three months but rescheduled several times. European governments have committed themselves to the EFA project, despite reservations on the grounds of cost.

Shamir rejects demand for vote on peace plan

BY ANDREW WHITLEY IN JERUSALEM

MR YITZHAK SHAMIR, the Israeli Prime Minister, yesterday rejected demands for an early cabinet vote on the US peace proposals formally presented on Friday by Mr George Shultz, US Secretary of State. He argued that no decision was needed from the divided coalition government until after his return from an official visit to Washington next week.

Colleagues in the right-wing Likud block said that the Prime Minister, who is facing his toughest-ever political challenge, was seeking "explanations and clarifications" from the US, and hoped to defer a final answer until these were received. Mr Shultz is reported to have asked Arab and Israeli leaders to reply within a fortnight.

Mr Shamir, who is scheduled to visit Washington on March 14, is expected to submit counter-proposals of his own, including a longer time frame than that envisaged in the Shultz plan.

At yesterday's regular meeting of the full Cabinet, Mr Shamir succeeded in blocking Labour demands for the issue to be brought to a vote. Labour ministers will press again for a decision on Wednesday when the policy-making inner cabinet meets.

The mass circulation Yedioth Ahronot, Israel's largest circulation daily, yesterday published a photocopy on its front page of what it said was the full text of the Shultz proposals.

The document appears to corroborate what was already widely believed to be the substance of the proposals. It emphasises the active role the Reagan Administration anticipates for itself in the two proposed sets of negotiations this year: first for "transitional arrangements" for the occupied territories and then the "final status negotiations."

The Israeli press yesterday overwhelmingly endorsed the Shultz proposals, calling on the Government to respond positively. Several newspapers criticised the Likud block for isolating itself over the US peace plan.

During continuing violent disturbances in several parts of the occupied West Bank over the weekend, four more Palestinians died after being shot by troops. Meanwhile, a court in Jaffa brought charges of deviation from standing orders against an army captain and two soldiers involved in the severe beating of two captured Arab youths, which was captured on film.

Tony Walker adds from Cairo: Arab reaction to the plan has ranged from mildly encouraging in the case of Syria to relatively enthusiastic on the part of Egypt.

Only the Palestine Liberation Organisation has so far denounced the plan. Its 15-member executive committee described Mr Shultz's proposals as a "plot" to undermine a three-months-old uprising on the West Bank and Gaza Strip that has left more than 80 Palestinians dead.

Arab states are closely watching developments in Israel, where Mr Shamir faces a serious dilemma over how to deal with the Shultz plan, which contains a number of elements he has repeatedly rejected — in particular, the principle of exchanging land for peace in the occupied territories and proposals for an international conference as a means of reviving peace efforts.

The Arabs are likely to avoid, if at all possible, giving Mr Shamir any excuse to reject the peace overtures before Mr Shultz's informal deadline for responses from the various parties expires in 10 days' time.

Pretoria offers Moscow deal to end Angolan war

BY ANTHONY ROBINSON IN JOHANNESBURG

GENERAL Magnus Malan, the South African Defence Minister, this weekend offered Moscow a way out of its involvement in the 12-year-old Angolan civil war, based on a variant of Mr Mikhail Gorbachev's own proposals for a settlement to Afghanistan.

Noting Mr Gorbachev's recent proposals for "a free, non-aligned and neutral Afghanistan" which was neither pro-Soviet nor pro-American, Gen Malan said Pretoria was prepared to accept something similar in Angola.

South Africa and the Soviet Union have been involved in a proxy war in Angola since 1975 when the first Cuban troops were sent to Angola and helped the MPLA (Popular Movement for the Liberation of Angola) government defeat South African forces who had advanced almost to the capital, Luanda.

Since then, some 40,000 Cuban troops and Soviet bloc advisors have supported the MPLA government led by President Eduardo dos Santos against South African-backed Unita rebels led by Dr Jonas Savimbi.

Previous US and European diplomatic attempts to end the war have stumbled over Pretoria's linkage between Cuban troop withdrawals from Angola and independence for Namibia, illegally governed by South Africa.

Significantly, Gen Malan made no mention of Namibia nor of Unita leader Dr Savimbi in his statement. The charisma of Dr Savimbi and his likely dominance of any future coalition government has been seen in Luanda as a major stumbling block to an internal political settlement based on a coalition.

Instead, Gen Malan's statement concentrated on the possibility of a Soviet-South African agreement to promote an internal political agreement between the MPLA and Unita without mentioning names.

Such a government, like Mr Gorbachev's proposed Afghan equivalent, would have to be neutral.

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Suspected IRA terrorists shot dead by police in Gibraltar

BY JOE GARCIA IN GIBRALTAR

THREE suspected IRA terrorists were shot dead by police in Gibraltar yesterday afternoon. It happened in broad daylight in a busy road linking Gibraltar to Spain.

Official spokesmen said the situation was under control and that UK forces had acted in support of local police. But they were refusing to give further information.

It is believed that UK officers had been trailing the two men and a woman for several days. It was later confirmed officially that one of the men had an Irish passport.

A bomb was found in a car off the main street in an area where soldiers of the resident battalion, the Royal Anglian Regiment, gather every Tuesday for a ceremonial guard mounting near the Palace of the Governor nearby.

It is believed the plan was to detonate a 400lb bomb on Tuesday by remote control.

Houses in the area where the car was located were evacuated as police set about defusing the bomb.

The car had a Spanish number plate, said witnesses. It was towed away by police later.

British soldiers in combat gear were assisting the local police. An area near the Governor's offices was cordoned off by police for several hours.

Police and fire brigade personnel were recalled to duty and the armed forces were on full alert.

"We have no knowledge of any other terrorists," said an official spokesman after reports that two other people were being sought.

The bodies of the suspected terrorists were taken by ambulance to the Royal Naval Hospital.

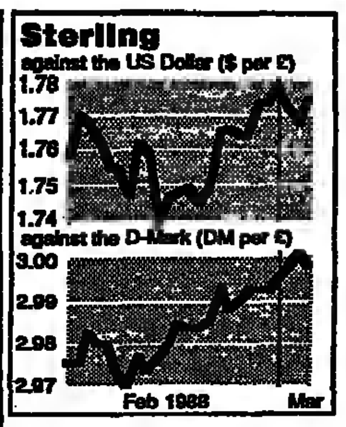
An eyewitness said that one of the men wore a white tee shirt and the woman a skirt and black stockings. They were bleeding as they lay on the roadside.

The theory that was gaining credibility last night was that they were planning a massacre of British soldiers as the troops prepared to set off for their weekly ceremony.

Official sources, however, were reluctant to provide any confirmation of the theory.

This was the first time that an incident of this nature had taken place in Gibraltar which was stunned by the event.

● In London last night, a Labour spokesman called on Sir Geoffrey Howe, the British Foreign Secretary, to make a statement on the incident in the Houseof Commons today. Mr George Foulkes, Oppositiondefence spokesman, said the apparent extensionof terrorist activities to Gibraltar for the first timewas very worrying.



UK ready to resist pressure for £ to rise

By Simon Holberton in London

THE UK Government appears prepared to continue to resist pressures in the foreign exchange markets for sterling to rise above its unofficial limit of DM3.

There is widespread expectation among foreign currency traders that sterling could face renewed buying this week, especially from Continental European investors seeking to take advantage of high UK interest rates.

Upward pressure on sterling last week has led to speculation that the Government might relax its exchange rate policy and allow the pound to rise above DM3. On Friday the Bank of England was required to buy foreign currency worth nearly £1bn to stem the pound's rise.

Mrs Margaret Thatcher, the Prime Minister, is reported to be concerned that the Bank does not continue to add to Britain's international reserves, currently $42.5bn, through intervention to hold sterling at an arbitrary rate against the D-Mark.

The view in official circles yesterday was that the Bank would still seek to hold the DM3 line. The monetary implications of intervention — a rise in sterling M3, the broad measure of money supply, which would have to be absorbed by sales of gilt-edged securities — are not that great, given the favourable outlook for public sector finances next financial year.

Officials said there were limits to the extent to which the Bank could continue to amass foreign currency reserves but indicated that they had not been reached yet. The Government's policy of seeking a stable exchange rate against the D-Mark had not changed.

Whitehall officials noted that sterling had fluctuated within a range of DM2.95 to DM3 over the past year and this had been a "very helpful policy" from the point of view of industry and inflation.

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CONTENTS

Gandhi dissolves Punjab assembly in peace move

BY JOHN ELLIOTT IN NEW DELHI

AN ATTEMPT by Mr Rajiv Gandhi, the Indian Prime Minister, to bring peace to the troubled northern state of Punjab by involving young leaders of Sikh extremists in a settlement moved a stage further last night when the state's elected assembly was dissolved.

The dissolution is a signal to the militants that the way is now open for them to try to take power through an election this year, if they will end the violence.

Mr Gandhi launched his initiative on Friday when five Sikh high priests and 40 other prisoners were released from jail. They included Mr Jasbir Singh, a 33-year-old nephew of Jarnail Singh Bhindranawale, the extremists' main leader and now a folk hero who was killed when the Indian army stormed the Sikhs' sacred Golden Temple at Amritsar in June 1984.

Punjab's state assembly and its government, run by the Sikhs' moderate Akali Dal Party, was suspended last May when President's Rule (direct rule from Delhi) was imposed.

The extremists have been demanding some form of independent Sikh state, which they call Khalistan.

Yesterday Mr Jasbir Singh, who is likely to be a leading figure in talks with the Government, appeared to strike a pragmatic note when he said: "It is now up to the Government to decide whether it wants to give us our freedom inside the country or outside".

He said the Khalistan call would be re-examined, and he carefully avoided repeating the extremists' traditional outright condemnation of the Indian constitution.

The extremists' demands, which the Government will find difficult to satisfy, include some form of official apology for the 1984 army action at the Golden Temple, and rehabilitation of Sikhs in the Indian army who later deserted.

The Government appears determined to pursue its new peace initiative, despite continued killings in the Punjab. Extremists killed 14 people over the weekend, following a massacre of 34 people at a Hindu festival on Friday. This brought the total of people killed in the state so far this year to at least 250. The death toll last year was 1,230, including 325 extremists.

It is not yet clear whether Mr Gandhi hopes to reach a settlement and organise elections before the current period of president's rule expires on May 11.

Pöhl foresees EMS-type system for Asian nations

BY ANDREW FISHER IN FRANKFURT

THE IDEA of an Asian currency system, along the lines of the European Monetary System (EMS), has been floated by Mr Karl Otto Pöhl, president of the Bundesbank. The so-called "little dragon" countries of Taiwan, South Korea, Hong Kong, and Singapore should contribute to an improved world economic balance, he said in Hamburg.

The four economies had a $40bn trade surplus with the US last year. This was some two-thirds the size of the Japanese surplus with the US and three times that of West Germany's. Half of Korea's and Taiwan's exports went to the US.

Mr Pöhl said these young economies had achieved their considerable export successes through cost advantages stemming from economic flexibility, low wages, and high productivity. "They do not need to rely on an exchange rate subsidy and they should, like other surplus countries, make their contribution to a better international balance."

He suggested that these Newly Industrialised Countries (NICs) of the Pacific could align themselves more to the yen. It was possible to imagine Japan and some of the NICs one day creating an Asian currency system along the lines of the EMS.

Iran plea to Red Cross in 'war of the cities'

By Our Middle East Staff

IRAN has asked the International Committee of the Red Cross to help end Iraqi missile attacks on its territory. Yesterday Baghdad claimed to have fired a further three missiles at Tehran, on the seventh consecutive day of attacks, after firing six on Saturday.

Mr Ali Akbar Velayati, Iranian Foreign Minister, also requested the Red Cross to send fact-finding teams to inspect bombed residential areas of Tehran, according to Irna, the official Iranian news agency.

Disclosure of the message follows an appeal on Wednesday by Mr Mohammed Jaafar Mahallati, Iranian ambassador at the UN, to Mr Javier Perez de Cuellar, UN Secretary-General, and the Security Council for a halt to the latest round in the "war of the cities".

Tehran has said it was prepared to halt retaliatory strikes if Iraq ceased its attacks.

According to diplomatic observers, the missile exchanges – believed to involve Skud Bs of Soviet origin – appear to be hurting Tehran more than Baghdad.

As yet, though, there has been no sign of Iran bowing to Iraq's demand that it accept the ceasefire called for by Security Council resolution 598, adopted last July, according to Western diplomats.

Iraq has said that it has fired 34 missiles against Tehran as well, as three into the holy city of Qom, since the attacks started a week ago. Irna has reported about 30.

Iran has struck Baghdad with 19, according to its own account. Iraq has acknowledged 13.

Iran said that another 29 people had been killed and 60 wounded by yesterday's strike, raising total casualties to 170 dead and more than 400 injured in the capital, according to official counts.

Iran yesterday fired two retaliatory missiles at the Iraqi Air Force headquarters in Baghdad, Irna said.

The official Iraqi news agency reported that one had landed in a residential district, killing civilians.

Eight die in Tibet independence protest

BY ROBERT THOMSON IN PEKING

POLICE and Buddhist monks clashed in Lhasa, the Tibetan capital, on Saturday during a pro-independence protest which is reported to have left eight people dead and intensified the pressure on Chinese leaders already divided over Tibetan policy.

The protest, which witnesses said began early on Saturday and lasted into the evening, coincided with the conclusion of a big prayer festival which the Chinese Communist Party had hoped would provide evidence that there is freedom of religion in China.

Witnesses said the protest began when about 200 young monks at the Jokhang temple, the site of the prayer festival, began to chant pro-independence slogans and hurl stones and pieces of concrete at a police station and Chinese television broadcast vans.

Police clashed with the monks, who were joined by about 2,000 other Tibetans, and several police opened fire. At least three officers are believed to have been killed. One seems to have been thrown from the roof of the temple. Witnesses reported seeing five protesters, including a monk, shot dead.

Early in the afternoon, the few foreigners present were cleared from the scene. Explosions and small arms fire were heard late into the evening and smoke was seen rising from the temple.

Tear gas was used to disperse the protesters, and police cordoned off the city centre. Dozens of monks seem to have been detained.

The clash followed several months of unease in Lhasa which succeeded a pro-independence protest in October last year when at least six people were killed near the same temple.

The demonstration on Saturday will prompt further debate among Chinese leaders over Tibetan policy. This policy is rapidly becoming a symbol of conservative Communist concern that the party needs to tighten control over religion in particular and society in general.

Alleged mishandling of the Tibet issue was listed in internal party documents as a reason for the removal early last year of Hu Yaobang, the Communist Party chief, who admitted that policies had led to mistreatment of Tibetans and ordered a purge of senior officials in the local administration.

Brazilian ministers seek spending cuts

BY IVO DAWNAY IN RIO DE JANEIRO

PRESIDENT José Sarney of Brazil faces a crucial test of his credibility this week as ministers again examine how to cut public sector spending.

Mr Sarney last Friday promised "drastic measures" within days to tackle the public sector deficit, following the rejection by ministers last week of a plan to freeze federal salaries for three months.

New measures being considered are believed to be a more modest freeze and ceiling on higher state-sector pay, combined with dismissals of hundreds of civil servants hired since the official ban on federal recruitment was imposed in January.

However, there remain serious doubts as to whether the Government has the political will to take more severe action.

The President's promise came in a newspaper interview after accusations that the Government was again vacillating over where savings can be made. Most political analysts agree that any true cuts are likely to provoke as much indignation as admiration.

There remain serious doubts as to whether the Government possesses sufficient political will to take severe action

The need to be seen to take a firm grip on the deficit is essential to Mr Sarney's efforts to win a majority, in the assembly now writing a new constitution, for a five-year presidential term. Political tension is increasing as the assembly, consisting of the federal Congress, approaches the crucial questions of the length of the presidential term and whether a parliamentary system of government should be introduced. The latter issue could be decided this week.

The politicians are operating amid a swathe of alarming forecasts on the downturn of the economy, now suffering inflation of 18 per cent a month. Unofficial estimates are that a slowdown in business activity has seriously reduced federal revenues from about 26 per cent of gross domestic product to 23 per cent. Also, unofficial projections show that the wages bill, if unchecked, will have expanded by year-end from 3.26 per cent of GDP to 5.17 per cent – equivalent to a rise from 64 per cent to more than 100 per cent of all federal revenues.

Industrial output figures, due this week, are expected to record a 5 per cent fall in January, albeit the figure for January last year was high.

Economists believe that seasonal and other factors will keep monthly inflation to about the 18 per cent range for March before a new explosion beyond 20 per cent in the following months.

Submarine rams Norwegian oil rig in North Sea

A WEST GERMAN submarine crashed into a Norwegian oil rig in the North Sea on Sunday, forcing the evacuation of the 200 men on the platform, state television reported, Reuter reports from Oslo.

No one was hurt when the 500-tonne submarine, taking part in West German naval manoeuvres, hit one of the rig's main supports.

The submarine, of the S-176 class, struck the rig in the Oseberg oilfield at a depth of about 40m (120ft) and then surfaced, television said.

An officer came on to the oil rig to explain what had happened.

China's railway minister resigns following January train crashes

BY ROBERT THOMSON IN PEKING

CHINA'S minister for railways has resigned and the director general of the national carrier, the Civil Aviation Administration of China, has been disciplined following a series of train and aircraft accidents in recent weeks.

Ding Guangen, the Railways Minister and a protege of the paramount leader, Deng Xiaoping, tendered his resignation to the country's highest governing body, the state council, after it held that he was guilty of "neglect of duties" and responsible for three train accidents in January.

In the worst of the accidents, 88 people were killed after an express train overturned on January 24.

His resignation was accepted "to enforce discipline, educate officials and to safeguard the interests of the people and the state," according to a document released by the state council.

Mr Ding, appointed in 1985, was considered to be a talented reformer destined for higher office and his removal is both a loss to the reform ranks and a loss of face for the Communist Party leaders who supported his

Hu Yizhou, the CAAC director general, was held responsible for an air crash on January 18 in which 108 people, including four foreigners, died.

Mr Hu, who has overseen a significant expansion of China's civilian air fleet, submitted a self-criticism to state council, which issued a "first grade disciplinary demerit" against him.

Mr Hu, 60, an aviation engineer, was appointed in early 1985. The fact that he has kept his job despite the crash is testimony to his success as head of the Chinese airline, long notorious for its poor service, unreliability and bad safety record.

Argentina renews offer on Falklands

By Tim Coone in Buenos Aires

ARGENTINA repeated its offer at the weekend to declare a formal end to hostilities with the UK, in return for discussion of the sovereignty issue over the Falkland Islands.

Mr Dante Caputo, Foreign Minister, said after returning from New York on Saturday from talks with Mr Javier Perez de Cuellar, UN Secretary-Genaral, that Argentine diplomatic pressure on the UK was paying off. He claimed the British manoeuvres, due to begin on the Falkland Islands today, had been reduced and their start postponed for one week.

In London, however, there has been no indication that the Fire Focus exercises, aimed at testing the rapid reinforcement capability of the garrison on the islands, have been changed in any way.

British Foreign Office officials argued last week that Argentina's refusal to declare a formal end to hostilities since the 1982 war over the islands made the manoeuvres necessary.

Mr Caputo said at the weekend that, because there was never a formal declaration of war, a formal declaration of an end to hostilities was unnecessary: "But, if that is the problem, we are prepared to declare a formal end to hostilities, if Britain is prepared to sit down and discuss everything, including the sovereignty issue."

It is an offer that Argentina has made on several occasions in the past two years but which has been rejected by the UK.

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Brussels to offer Norway more say in EC foreign policy

BY WILLIAM DAWKINS IN CONSTANZ

NORWAY is to be offered closer links with the European Community and closer co-operation in the formation of EC foreign policy.

The move, agreed yesterday at an informal meeting of EC foreign ministers, is the latest step in increasingly close relations between Oslo and Brussels. Norway nearly joined the Community in 1973 but withdrew its application after a national referendum narrowly voted against membership.

Since then, Oslo has been pressing for closer involvement in EC decision-making, short of applying again for membership. Yesterday's move comes in response to the Norwegian Government's growing belief that it needs more of a say in the Community's foreign policy; Oslo risks being left in a minority in Nato between the US and an often united EC.

The move was also seen as an attempt by Oslo to bolster its EC relations before the West Germans surrender the six-month presidency of the Council of Ministers at the end of June to Greece, which is less interested in building links with Norway. Athens is followed in the chair by Spain and then France, equally uninterested in close ties with the northern Nato member.

● Tha EC is to demand improvements to the Soviet Union's human rights record in central Europe at the current Conference on European Security and Co-operation in Vienna. The talks, which include North America as well as Europe and the Soviet Union, should cover conventional arms reductions, security and human rights. However, EC foreign ministers agreed that there "was not sufficient willingness on the Eastern side to negotiate" on human rights, said Sir Geoffrey Howe, UK Foreign Secretary.

S Africa warned against blocking human rights aid

BY WILLIAM DAWKINS

THE European Community is to warn the Pretoria Government not to interfere with EC aid programmes for human rights groups and trade unions in South Africa.

The warning, to be delivered at ambassadorial level, comes in response to South Africa'a draft proposals to block foreign funding for organisations with broadly defined "political purposes". The move was agreed yesterday at a meeting of the EC's foreign ministers at Konstanz, West Germany.

Ministers are also to ask officials to assess the size and strength of Pretoria's diplomatic missions in the EC, a move which diplomats said could be a first step towards requesting a cut in the number of South African officials. Both steps mark a small but significant intensifying of pressure; so far the EC has been able to agree on limited sanctions against apartheid.

Mr Hans Dietrich Genscher, the West German Foreign Minister chairing the session, said: "The intention is to let South Africa know what our expectations are – that their actions will not impede the Community's aid for human rights organisations, churches and trade unions."

Sir Geoffrey Howe, the UK Foreign Secretary, called Pretoria's planned aid crack-down "a potentially disturbing extension of the South African Government's power to act against foreign funded anti-apartheid groups". He said: "The events of the past fortnight have been of grave concern to all of us."

The West German and British foreign ministers did not know if the draft laws, unveiled in Pretoria last week, would present a total block to EC aid to anti-apartheid groups. Brussels has committed Ecu 25m (£17.25m) over the past two years out of a total allocation of Ecu 30m to 113 South African human rights projects. A further Ecu 20m is proposed for the current year.

The assistance comes under the "positive measures programme" set in place to counter criticisms that EC sanctions against Pretoria were inadequate.

Austrian coalition agrees tax reform

By Judy Dempsey in Vienna

AUSTRIA'S Socialist-led coalition government yesterday agreed a big tax reform after months of often bitter disagreement and the resignation last week of Mr Johannes Ditz, one of the main experts involved in the negotiations.

The reform came after lengthy discussions at the weekend between Mr Ferdinand Lacina, Socialist Finance Minister, and Mr Josef Taus, one of the tax experts and a high-level member of the Conservative People's Party, the junior partner in the coalition.

Under the new measures, the highest income tax brackets will be reduced from 62 per cent to 50 per cent, and the lowest from 21 per cent to 10 per cent.

The new income tax brackets, which cost the government Sch45bn (£2.14bn), required a big overhaul of other taxes to make up for sacrificed lost revenue. To cover the 10 per cent difference, tobacco has been taxed by a further 5 per cent, bringing it to 65 per cent, and the tax on gambling has been increased by a further 10 per cent.

The new tax reform, subject to parliamentary approval, is to be implemented in 1989.

During the early stages of the negotiations, the experts, Mr Lacina and Mr Franz Vranitzky, the Chancellor, had suggested a 20 per cent tax on the interest earned on bonds as well as on savings accounts.

The introduction of a *Quellensteuer* (withholding tax) on the interest on savings proved to be the main sticking point and it increased the pressure on the already fragile coalition. Mr Alois Mock, the Foreign Minister and leader of the Conservative Party, insisted that no *Quellensteuer* be introduced. Mr Mock had promised the electorate that interest on savings would remain untaxed. It was agreed yesterday to tax the interest on bonds and savings by 10 per cent.

All this means the coalition government can continue and Mr Mock can argue that the low-interest savings which account for about 70 per cent of savings books will remain untaxed.

Panama hit by US freeze on assets

BY DAVID GARDNER IN PANAMA CITY

THE BELEAGUERED military-dominated regime of General Manuel Antonio Noriega of Panama is being strangled financially by the freeze imposed by a US court last week on its few remaining liquid assets.

The freeze followed Gen Noriega's palace coup 10 days ago against figurehead President Eric Arturo Delvalle, whose supporters applied to the courts with US Administration backing.

This led to an acute cash shortage forcing the Government to close all banks indefinitely last Friday.

The US, with 10,000 troops based in Panama, is openly seeking the removal of Gen Noriega and the coming week could be crucial in the outcome of this struggle.

The confrontation is also threatening the survival of Panama as an international financial centre. Panama has 125 domestic and foreign banks, the majority operating offshore, and until the 1983 debt crisis was the most important offshore centre in Latin America.

"The Government knows it can live without this banking centre . . . as far as I'm concerned it's finished, in terms of its principles and its foundations. This is the coup de grace," one prominent local banker said.

Mr Roberto Arosamena, chairman of Banco Nacional de Panama (BNP) the state clearing bank, told bankers its liquid cash resources have shrunk to $17m since last week's freeze.

BNP is not a central bank since Panama's currency is the US dollar and thus it cannot make up any shortfall by printing money.

The Government is due to meet bi-weekly payments to pensioners and the police today and tomorrow it is supposed to make a repayment on a Y12bn ($928m) private placement underwritten by a syndicate of Japanese banks.

Panama has a public foreign debt of $4bn and is $97m in arrears on loans from institutions and was $52m behind at the end of January on its $1.8bn commercial borrowings.

It has, in effect, been cut off from all credit and almost all aid.

The US Administration last week said it would also deny revenue payments from the jointly-run Panama Canal to Gen Noriega and only recognise ousted President Delvalle as the legal authority.

A deal whereby the state savings bank was to sell up to $50m of its loan portfolio to a Spanish bank to generate liquidity collapsed late last week, senior finance officials said.

In this situation, the Government's ability to meet its bills is in doubt. Next week, for instance, it must find $31m to pay 150,000 public employees their bi-weekly wages.

Though the general's regime has some support in the countryside, the public sector is its last significant reservoir of civilian support in resistance to the private sector-led opposition and US Administration's demands that Gen Noriega step down.

The closure of the banks has compounded the problem. After last week's strike against the regime, the circulation of actual cash has diminished and, since Thursday, it has been impossible to pay for anything with cheques or credit cards.

Soviet nationalities react with irritation to interventions by a reforming Kremlin

Patrick Cockburn gives a personal view of unrest troubling the rulers of 92 national communities in the USSR

HAS THE unrest in the Soviet Republics of Armenia and Azerbaijan torpedoed the plans of Mr Mikhail Gorbachev, the Soviet leader, to allow greater diversity of opinion in the Soviet Union?

The Soviet Union is a multi-ethnic state. Ten of the country's 92 nationalities have more than 1m members apiece and relations between the nationalities have always been crucial in Soviet society.

When Mr Gorbachev first called for greater democracy and freedom of expression, he said sufficient consensus existed on the way the Soviet Union is run to ensure that more openness would not lead to an explosion endangering the Soviet system. Daterioration in relations between the nationalities could prove him wrong.

Mr Gorbachev himself, in contrast to his predecessors as party leader from Stalin to Andropov, has spent his career exclusively in the Russian parts of the Soviet Union and this might explain his unsure touch in dealing with the 140m non-Russians who now make up half the population

The reasons behind the stresses between Soviet nationalities in the 1980s are more complex than ancient national grievances bursting to the surface as authoritarian control from the centre is relaxed. Such grievances convincingly explain Armenian demonstrations for the return of an Armenian province incorporated into Azerbaijan in the 1920s, but such old nationalist demands are not the most dangerous threat to Mr Gorbachev.

The most potent nationalist revival in the Soviet Union today is in Russia itself. The common factor in most outbreaks of unrest among different Soviet nationalities since Mr Gorbachev came to power is that they are in reaction to initiatives taken by Moscow. The active element so far is central, not local. The Kremlin has decided that things cannot go on as before, not separatists or nationalists seeking what has been described as "the break-up of the Soviet empire."

For instance, in the five Soviet Central Asian repnblics, which have a total population of 46m, there has been a sustained campaign against the old leaders since 1982, before Mr Gorbachev became leader, which has led to all senior party leaders being purged.

The initiative comes from Moscow for two reasons: modernisers want greater strategic control of the allocation of resources and have little time for the regional political chieftains who flourished under Brezhnev. Also, there is deep resentment in the Russian heartlands that other nationalities and the 14 non-Russian republics have been getting what is seen as an unfair share of national resources.

At its crudest, Russian resentment is expressed in bitter racist jokes. One story tells of President Ronald Reagan boasting to Mr Eduard Shevardnadze, the Soviet Foreign Minister and former leader of the Georgian republic, that in America every family has a house and a car. "So do we in Georgia," responds Mr Shevardnadze.

"But how about Russia?" asks Mr Reagan. "Look," replies Mr Shevardnadze, "I didn't ask you about the negroes in America, so don't you ask me about the Russians in the Soviet Union."

Russian disgruntlement at the prosperity of other nationalities and the re-assertion of central control from Moscow were always likely to lead to problems. But it is a third development – the way in which the nationalities themselves developed in the post-war period – which makes the present situation unpredictable and potentially explosive.

Soviet policy on nationalities has achieved mnch since the 1920s. Its aim of pushing regional economic and social development so each ethnic group would achieve approximate parity has had a fair measure of success in the more backward parts of the country. Higher education means that Kazakhs, Uzbeks, Tartars and other nationalities now have their own well-qualified elites who compete directly with Slavs for jobs in the towns in a way that their parents did not.

The spread of literacy and education has had the same contradictory impact in the Soviet Union that it has in other countries. It has made members of national groups more alike but also more conscious of, and more capable of, expressing their national differences. Rioters in Alma Ata, the capital of Kazakhstan, in 1986 were mainly Kazakh students from the vocational schools.

To defuse the nationalist resurgence, Russian and non-Russian, Mr Gorbachev needs to accommodate the political needs of both within a less authoritarian and more democratic system. He needs to be more radical, not less. The demonstrations in Armenia underline that the price of failure of political and economic change is likely to take a nationalist form.

Patrick Cockburn, Financial Times correspondent in Moscow from 1984 to 1987, is spending a year as Senior Associate of the Carnegie Endowment for International Peace in Washington, DC, USA.

Protest in Moscow broken up

By Christopher Bobinski in Moscow

THE SOVIET authorities moved swiftly in Moscow yesterday to prevent a demonstration in support of the de-Stalinisation of Soviet society.

The group of about 25 people, amid scuffles, was manhandled into vans and driven away from October Square.

The demonstration – organised by Perestroika 88, one of the many informal groups which has grown up during the regime of Mr Mikhail Gorbachev, the Soviet leader – was aimed to have the Soviet authorities agree to a monument to the memory of Stalin's victims.

Despite the spate of recent articles in the Soviet media which have openly described the crimes committed under Stalin during the purges in the 1930s and thereafter, and the posthumous rehabilitation of Nikolai Bukharin, an opponent of Stalin's economic policies, the authorities have failed to commemorate the victims.

Yesterday 130 Jewesses in several Soviet cities, who are seeking to leave the Soviet Union, started a protest fast in private flats. It is to continue until tomorrow.

Last year more than 5,000 Soviet Jews were permitted to leave the Soviet Union, up from 1986 when 943 left but still below the 1979 record of 51,330.

OVERSEAS NEWS

Australia given warning on its debt policy

BY CHRIS SHERWELL IN SYDNEY

A SHARP reminder of the magnitude of Australia's foreign debt problem has come from the Government's high-level Economic Planning Advisory Council.

In a report published today, the council points to risks in the Labor Government's economic strategy to stabilise the country's net external debt at just above 34 per cent of gross domestic product by 1991-92.

At the same time it spells out the painful implications for unemployment and other consequences of trying to meet a lower 33 per cent target more quickly.

Australia's gross foreign debt is currently A$111bn (£45.5bn). The net figure of A$87bn is equivalent to around 33 per cent of gross domestic product. In 1982 the comparable figure stood at just 10 per cent.

Keating: mini-budget due

According to the council, tougher fiscal and wages policies would be needed to stabilise the debt earlier and at a lower level.

But its figures show that, in the process of stifling domestic demand to trim overall growth in GDP to only 1.5 per cent a year, the unemployment rate would rise sharply from current levels of 8 per cent to a peak of 13.5 per cent.

Under the more leisurely scenario, the council report indicates, GDP growth would remain at 2.75-3 per cent and unemployment would remain at present levels.

The risks in this strategy, however, lie in the uncertainties surrounding the trade picture. It points in particular to the possibility of a recession in the wake of last October's share market collapse and competition from manufacturers in the US and Asia's newly industrialising countries.

Australia also faces domestic constraints on its performance – the inefficiencies of its own economy, its inadequate innovation and commitment to exports.

Publication of the council's paper coincides with government preparations for its mini-budget due in May. Business groups are urging Mr Paul Keating, the federal Treasurer, to plan for a large surplus of around A$3.5bn – a figure he has already ruled out.

WORLD ECONOMIC INDICATORS
INDUSTRIAL PRODUCTION
(1980 = 100)

					% change over previous year
	Jan.'88	Dec.'87	Nov.'87	Jan.'87	
Japan	133.8	132.3	129.6	122.4	+9.3
US	123.2	123.0	122.5	116.2	+6.0
	Dec.'87	Nov.'87	Oct.'87	Dec.'86	
UK	115.9	115.2	115.2	110.5	+4.9
Italy	101.5	103.1	104.6	100.5	+1.0
France	105.5	104.9	104.2	101.6	+3.8
W. Germany	107.2	108.1	106.8	106.2	+0.9
	Nov.'87	Oct.'87	Sept.'87	Nov.'86	
Netherlands	109.2	107.6	104.6	105.4	+3.6

Source: (except US) Eurostat

Gloomy outlook for cocoa price talks

By David Blackwell

DEEPENING gloom surrounds the outlook for the International Cocoa Organisation (Icco) talks which continue this week in London on measures to halt the inexorable slide in world cocoa prices.

Producer and consumer countries remain far apart after opening discussions last week on further measures to support prices and on whether the level of prices which the organisation is defending should be lowered.

The price of the benchmark second position futures contract in London remains at five-year lows. It closed on Friday at £998 a tonne, down £13 on the week from £1,010 – a level which itself marked a fall of £57 on the previous week.

The main factor overshadowing the talks is the debts owed to the organisation by the Ivory Coast, the world's biggest producer, and Brazil, which between them are believed to be behind in their payment of levies to the tune of $40m. The irony remains that if the price had not fallen so sharply in the past six weeks, the manager of the buffer stock would not have been able to complete his purchases.

In reaching the maximum permissible level of 250,000 tonnes in the buffer stock, which aims to defend prices by taking surplus cocoa from the market, the manager triggered the crisis talks.

Last Wednesday the cocoa market took some heart from news that the International Monetary Fund had approved loans to the Ivory Coast, part of which were immediately available to compensate for weak commodity prices. But a senior delegate at the Icco talks made it clear that his country would not use the money to clear debts to the organisation.

Unless alternative methods of mopping up surplus cocoa can be found, Icco must under its rules agree this week to implement a withholding scheme designed to take a further 120,000 tonnes of cocoa off the world market. But the buffer stock manager has only $7m in the kitty and consumer countries believe this is too little to finance any further support measures.

The deadlock is compounded by the amount of surplus cocoa in world stocks. Traders are talking of a surplus of up to 120,000 tonnes from the 1987/88 crop alone.

Japanese groups end exports to S Africa

BY CARLA RAPOPORT IN TOKYO

TWO leading Japanese exporters have decided to stop sales to South Africa after mounting international criticism over Japan's huge increase in sales to South Africa in 1987.

Japanese government officials publicly admitted their embarrassment earlier this year when it emerged that exports to South Africa had grown by 19 per cent last year to $4.27bn, giving Japan the dubious distinction of becoming South Africa's biggest trading partner.

Although officials have not directly asked companies to restrain business with South Africa, Japan's powerful Federation of Economic Organisations, the Keidaren, recently asked its members to restrict South African trade because of that country's discriminatory racial policies.

As a result, Pioneer Electric, a big audio company, and NEC, a leading electronics concern, have said they will discontinue sales to South Africa from Japan. Pioneer's exports to South Africa totalled Y850m last year, while NEC's exports over the past five years have averaged about Y550m a year.

At the same time, Japan's External Trade Organisation, a quasi-governmental body, has decided to close its office in South Africa.

Other companies are now expected to follow Pioneer and NEC's example. Industry observers point out, however, that many of Japan's big exporters could easily make sales to South Africa through their offshore production facilities in Southeast Asia, thereby reducing Japan's exports but maintaining their own sales volumes.

The main contributors to Japan's trade with South Africa are its car-makers which accounted for about 40 per cent of total exports last year. Japanese car-makers have nearly 50 per cent of the South Africa market, with sales of about 310,000 units. So far, none has made any move to restrict sales to South Africa.

Japan does ban direct investment in South Africa and limits diplomatic relations to the consular level.

Tokyo takes over lead in currency reserves league

JAPAN replaced West Germany in 1987 as the nation holding the most currency reserves, the International Monetary Fund said yesterday, AP reports from Washington.

Japan's reserves gained $33bn in value and reached $81.1bn, the IMF said, while West Germany held $78.3bn worth at the end of 1987.

The US lost $8.7bn for a total of $34.6bn, dropping from third to fifth place behind Taiwan with $74.1bn and Britain with $41.7bn.

France, New Zealand, Norway and Iceland also had reduced reserves.

Reserves include a country's foreign currencies, its stock of the Fund's own money, the Special Drawing Right, and the level of its account with the Fund itself.

The Fund lists gold separately. Japan took over as the biggest holder, with $1.5bn ounces in January this year, up from 35.4bn at the end of 1986. West Germany's stock of gold rose to 59.2bn ounces from 45.6bn.

Ershad's party takes 75% of Bangladesh seats

PRESIDENT Hussain Muhammad Ershad's Jatiya Party in Bangladesh has won more than three-quarters of the seats in parliamentary elections marred by bloodshed and charges of fraud, AP reports from Dhaka.

Results from 279 constituencies gave Jatiya 238 seats, the Election Commission said yesterday.

The Commission said the Combined Opposition Party, a coalition of 78 political groups, won 15 seats, two more small groups won two seats each and independents won 22.

In the election for 281 seats, 18 Jatiya Party candidates were elected unopposed last Thursday. Voting in one district was put off after a candidate was shot and killed before polls opened.

President Ershad, a former army general, refuses to step down as the opposition demands. On Saturday, nearly 10,000 anti-government demonstrators protested in Dhaka's main square, denouncing the election.

Opposition leaders Mrs Sheikh Hasina and Mrs Khaleda Zia said the people had rejected the election in response to their call.

SHIPPING REPORT

Demand for tankers falls again

By Kevin Brown, Transport Correspondent

DEMAND for large tankers fell again last week as charterers delayed oil purchases in the expectation that the price would continue to fall.

Brokers said refiners had been drawing down stocks for some time, aided by the mild winter in north-west Europe.

Up to 18 VLCCs/ULCCs were believed to be at sea with unsold cargoes – half a dozen in the US Gulf laden with North Sea oil, three to four off the UK carrying Iranian crude, and up to eight at sea with Saudi crude.

There was some demand for large tankers in the Middle East Gulf but brokers said this was largely confined to charterers fulfilling contractual liftings.

E.A. Gibson, the London broker, said Japanese and South Korean charterers had fixed a few vessels at around Worldscale 31-32 to the Far East and Exxon later fixed a vessel of 260,000 tonnes to the West at Worldscale 33½.

Demand for smaller ships was also limited.

Boeing 737 flies on into a class of its own

THE ORDER by US Air, one of the biggest US airlines, for 50 Boeing 737 twin-engined airliners (with an option on a further 30), has enabled Boeing to set a record in jet airliner manufacture. The 737 has broken through the 2,000 aircraft barrier – the only jet airliner to achieve that feat.

The US Air deal is worth $1.5bn – rising to $2.5bn if all the options are taken up – confirming that the 737 is a big money-spinner for Boeing.

The 141 customers worldwide for the 2,001 aircraft so far ordered (just over 1,500 have been delivered) together have spent nearly $45bn on initial procurement alone, quite apart from billions of dollars on spares.

Moreover, talks in progress could lead to at least 100 of these ubiquitous jets being added to the order books by the end of the year.

The Boeing 737 in all its versions has outstripped the world's previous best-selling jet, the three-engined Boeing 727, of which 1,831 were sold. Many 727s are still in service but they are ageing and part of the 737 market is coming from airlines trading in 727s.

But Boeing is also regularly winning new customers. Last year it won new orders for 188

Michael Donne on the track record of an airliner that has notched up $45bn in sales over 20 years

737s and so far this year has notched up another 76, including the US Air deal.

The first 737 entered service on February 10, 1968, with Lufthansa, the West German airline, which is still one of the biggest users. That aircraft is still in service today, with Ansett of Australia, and has logged 30,000 revenue flying hours with 37,000 landings.

Since then, the entire 737 world fleet of more than 1,800 aircraft in service has carried in all its versions more than 2bn passengers and covered over 11bn miles, with more than 38.5m landings – or one take-off and landing every 11 seconds of the 24-hour day.

That is quite a record, bearing in mind that soon after its introduction in 1968 sales were sluggish and at one time Boeing seriously considered cancelling the programme.

But Boeing held on and today the 737 has become a "family" of airliners, ranging from the Series 200 of about 125 seats to the Series 400 of about 146 to 170 seats, with the new 108-seater Series 500 now also on the way.

Production is running at 14 aircraft a month, with one 737 rolling out of the Renton, Seattle, factory every one and half working days. An increase to 17 aircraft a month is likely later this year.

Boeing puts the 737's success down to several factors. One is the sheer rugged strength and versatility of the aircraft. It operates just as smoothly from Prudhoe Bay in the Far North with Alaska Airlines as it does with Air New Zealand at Invercargill in South Island.

It has built built up a record of extraordinary reliability – 99 per cent-plus – while airlines and other operators pay tribute to its easy maintainability, largely due to the Boeing philosophy of having spare parts easily obtainable.

But perhaps most significantly, it is comparatively cheap to buy – between $20m and $30m according to model – and easy to fly.

Much of the British inclusive tour package holiday business has been built on, and is sustained by, the 737. UK airlines, notably British Airways and Britannia, are among the world's biggest individual buyers of the aircraft, and today there are 108 in service on the UK register with another 24 still to be delivered.

US Air itself is one of the biggest users, with 85 737s already in its fleet before the latest order.

This continued strength of the 737 market has influenced Boeing to delay the introduction of its advanced-technology 7J7 150-seater aircraft with the revolutionary prop-fan fuel-efficient engines.

Instead, Boeing has developed a new version of the 737 – the Series 400, seating around 150 passengers, and using the advanced technology CFM-56 engines, built jointly by Snecma of France and General Electric of the US, which are also used in the Series 300 and 500 models, replacing the Pratt & Whitney engines used in Series 100 and 200.

Boeing sees the Series 400, which recently made its maiden flight and enters service later this year, as its answer to the European Airbus A-320 150-seater and it is vigorously promoting the model.

As the US Air order proves, there is no sign of demand slackening and although Boeing has never been a company to count its orders before they are signed, its executives are quietly confident that by the end this century the 3,000th 737 sale is likely to be written into the books.

Company Notices

SOFTE-SOCIETE FINANCIERE POUR LES TELECOMMUNICATIONS ET L'ELECTRONIQUE S.A.
UA40,000,000 8¼% 1979/1989 Guaranteed Bonds

On February 22, 1988 Bonds for the amount of UA8,000,000 have been drawn in the presence of a Notary Public for redemption on April 10, 1988.
The following Bonds will be redeemable coupon due April 10, 1989 attached:
[illegible]
Amount outstanding: UA8,000,000
Outstanding previously drawn Bonds:
(groups of serial numbers are from one number to another number, both inclusive)

6	38	73- 75	185- 186	412- 413	562- 566	624- 627
1176	1439- 1447	1633- 1634	1974- 1977	2028- 2030	2100	2218- 2222
2235	2503- 2512	2579- 2581	2613	2628- 2636	2864- 2865	3034- 3041
3049	3059- 3062	3111- 3113	3237- 3240	3308- 3323	3447- 3449	3665
3699- 3702	3828	3874	3879- 3881	4147- 4151	4157- 4173	4229- 4234
4283	4299- 4302	4603- 4606	4618- 4623	4694- 4696	4716	4752- 4753
4901	5023- 5024	5045	5082- 5084	5093	5194- 5213	5232- 5242
5436- 5445	5450- 5456	5596- 5601	5801	6995	7028- 7029	7093
7682- 7689	19452-19456	19501-19502	19534-19544	19699-19702	19722-19733	19744-19748
19791-19792	19798	19801	19901-19905	19922-19924	20006-20007	20026-20042
20156-20160	20354-20356	20418-20425	20452-20453	20486-20496	20534-20536	20563-20565
20571-20576	20635-20642	20677-20683	20719-20726	20768-20772	20783	20807-20818
20822-20864	20891-20899	20979-20982	20999-21004	21015-21019	21046-21062	21156
21165-21174	21206-21210	21220-21229	21274-21277	21371-21373	21420-21421	21465-21472
21483-21486	21490-21491	21496	21515	21517	21591	21556-21557
21595-21600	21819	21642-21644	21647-21649	21662	21667	21759-21761
21821	21872-21874	21906-21917	21946-21958	21961	22107-22119	22133-22136
22155-22159	22180-22181	22220-22231	22255	22306-22316	22401-22402	22408-22418
22656-22664	22710-22717	22720-22721	23186-23188	23222-23243	23267-23271	23299-23304
23391-23392	23426-23442	23452-23453	23473-23475	23483-23485	23495-23516	23526-23540
23560-23565	23574-23576	23623	23671-23687	23738-23753	23759-23781	23802-23803
23806-23816	23838-23847	23851	23894-23895	23913-23920	23992-23993	24026-24027
24052-24063	24078-24083	24104-24105	24130-24135	24182-24189	24418	24427-24431
24456-24518	24918-24922	24945-24948	24981-24984	25021-25060	25126-25128	25138-25143
25225	25249-25254	25266-25280	25297-25300	25303-25304	25354-25357	25364-25366
25375-25377	25395-25414	25474	25477-25482	25494-25503	25626-25632	25670-25674
25626-25635	25733-25734	25739-25740	25753-25754	25794-25799	25873-25875	25924-25927
25931-25933	26099-26101	26125-26127	26151-26152	26156-26165	26167-26170	26223-26224
26236-26238	26243-26244	26281-26286	26410-26411	26691	27141-27184	27265-27284
27353-27362	27427	27431-27438	27452-27462	27493-27497	27506-27511	27543-27547
27568-27595	27605-27612	27610-27627	27634-27642	27666-27682	27766-27772	27783-27785
27790	27815-27821	27868	27872-27875	27899-27900	27917	28044-28053
28173-28174	28218-28223	28635	28759-28760	28814-28818	28837-28845	28960-28961
29061-29063	29170-29174	29183-29194	29200-29208	29224-29234	29253-29257	29264-29267
29322-29324	29388	29488-29491	29499-29506	29511-29530	29647-29648	29666-29672
29695-29707	29720-29722	29738-29744	29755-29763	29807-29808	29947-29952	29979-29986
39907-39909						

Luxembourg, March 7, 1988

Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

NOTICE TO WARRANTHOLDERS OF
THE CHIYODA FIRE MARINE INSURANCE COMPANY, LIMITED
U.S.DLRS 70,000,000 2 PER CENT. BONDS DUE 1992 WITH WARRANTS

Pursuant to Clauses 3 and 4 of the captioned warrants, notice is hereby given as follows:

(1) The Board of Directors of the Chiyoda Fire and Marine Insurance Company, Limited (the "Company") at its meeting held on 8th March, 1988 resolved that the Company will make a free distribution of shares of its common stock on 20th may, 1988, Tokyo time, to the shareholders of the Company Registered on its Register of shareholders as of 31st March, 1988, Tokyo (the "Record Date"), at the rate of 0.05 new share for each one share owned by such shareholders.

(2) As a result of such free distribution, the subscription price in respect of the captioned warrants, which is currently 882 Yen per share, will be reduced to 840 Yen per share of the company's common stock in accordance with clause 3, paragraph (1) of the instrument. The new subscription price will become effective on 1st April, 1988, Tokyo time, which is the day immediately after the record date.

The Chiyoda Fire and Marine Insurance Company Limited
By The Long-Term Credit Bank of Japan, Limited
London Branch
Principal Paying Agent and Warrant Agent

10th March, 1988

NOTICE TO THE HOLDERS OF THE OUTSTANDING

U.S. $300,000,000 1¾% CONVERTIBLE BONDS DUE 2002 OF *THE MITSUBISHI BANK, LIMITED*
(The "Bonds" and the "Bank" respectively)

NOTICE IS HEREBY GIVEN to the holders of the Bonds as follows:

At the meeting of the Board of Directors of the Bank held on 22nd February, 1988, the resolution was adopted to issue on 20th May, 1988 new Shares by way of free distribution on the basis of 0.05 new Shares for each existing Share of the Bank held. The record date for the determination of Shareholders entitled to receive the free distribution is 31st March, 1988.

Pursuant to the Terms and Conditions of the Bonds, the Conversion Price will be adjusted from the current Y3,157.00 to Y3,006.70 with effect as from 1st April, 1988, Tokyo time.

THE MITSUBISHI BANK, LIMITED
By: The Mitsubishi Bank, Limited
London Branch
as Principal Paying Agent
Dated: 7th March, 1988

U.S. $100,000,000 2⅞% CONVERTIBLE BONDS DUE 2000 OF *THE MITSUBISHI BANK, LIMITED*
(The "Bonds" and the "Bank" respectively)

NOTICE IS HEREBY GIVEN to the holders of the Bonds as follows:

At the meeting of the Board of Directors of the Bank held on 22nd February, 1988, the resolution was adopted to issue on 20th May, 1988 new Shares by way of free distribution on the basis of 0.05 new Shares for each existing Share of the Bank held. The record date for the determination of Shareholders entitled to receive the free distribution is 31st March, 1988.

Pursuant to the Terms and Conditions of the Bonds, the Conversion Price will be adjusted from the current Y1,711.40 to Y1,629.90 with effect as from 1st April, 1988, Tokyo time.

THE MITSUBISHI BANK, LIMITED
By: The Mitsubishi Bank, Limited
London Branch
as Principal Paying Agent
Dated: 7th March, 1988

STANWICK INTERNATIONAL CORPORATION S.A.
Registered Office: Luxembourg, 14, rue Aldringen
Commercial Register: Section B 13142

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

An Extraordinary General Meeting of Shareholders of STANWICK INTERNATIONAL CORPORATION S.A. will be held at its registered office at Luxembourg, 14, rue Aldringen, on March 16, 1988, at 10.30 a.m. for the purpose of considering and voting upon the following matter:

- Declaration of a dividend.

The shareholders are advised that no quorum for the Extraordinary General Meeting is required and that decisions will be taken by the majority of shares present or represented.

In order to take part at the meeting the owners of bearer shares are required to deposit their shares five business days before the meeting at the registered office of the Company, 14, rue Aldringen, Luxembourg, or with the following bank:

INTERALLIANZ BANK ZURICH A.G.
Stadthausquai 1
CH 8022 ZURICH
SWITZERLAND

By order of the Board of Directors

Contracts & Tenders

LEEDS BRADFORD AIRPORT LTD BOUNDED STORE

Applications we invited from suitably experienced Companies wishing to tender for the operation of the Board Store at the rapidly expanding Leeds Bradford airport. The closing date for receipt to tenders is
10.00am Friday 25th March 1988.
Tender document are available from:
Assistant Director (Property Services)
City of Bradford Metropolitan Council
City Hall
Bradford BD1 1HY
ref J. Rishworth (Tel. 0274 754236)

ANNOUNCEMENT FROM EREGLI IRON AND STEEL WORKS, INC., TURKEY (ERDEMIR)

Announcement is hereby made for the following project within the "CAPACITY IMPROVEMENT AND MODERNIZATION PROJECT" in the integrated steel plant of Eregli Demir ve Celik Fabrikalari T.A.S. located at Kdz. Eregli, Turkey. Characteristics and the resume of the project are summarized as follows:

Project Name: BOF CAPACITY IMPROVEMENT AND MODERNIZATION.
The work to be performed by the CONTRACTOR is briefly to improve the productivity, efficiency, quality of steel produced, provide automation required by the modern BOF technology, reduce pollution to comply with Turkish Air Pollution Standards, and at the same time produce an additional 400,000 tonnes of liquid steel over the present annual capacity of 2,000,000 tonnes. The CONTRACTOR shall design, detail, furnish all material and equipment except those specified in ERDEMIR's scope and supervise the erection to be made by ERDEMIR, for a complete operating unit generally consisting of, but not be limited to; Three new 115 ton B.O.F. vessels complete with drives and electrical controls and equipped for bottom bubbling and slag free tapping facilities; new oxygen lances and wastes gas cleaning systems for each vessel; a sublance at each vessel and a computer to make charge calculations, operate sublance and provide records of operations; two new 180 ton teeming cranes; a hot metal desulphurization station; a slag skimming station; hot metal reladling and slag skimmer fume collection and cleaning station; automatic tap hole maintenance machines; a spectrometer, laboratory equipment and a pneumatic tube system; extending vessel operating floors; modifications to vessel operating pulpits; vessel and shop auxiliaries to accomodate both larger heat sizes and the relocation of facilities. All of these improvements will be made in an operating shop in a manner to provide minimal disruption to ongoing operations.

2- Tender documents for the project mentioned above may be obtained from the following address as of 07. March 1988 and after depositing 750.000,- Turkish liras to ERDEMIR Cashier's Office at Kdz.Eregli-TURKEY indicating the project name;

ERDEMIR Vice President Purchasing
Foreign Purchases Department (SA.17)
Kdz-Eregli, TURKEY

3- Bid closing date is 11 July 1988 and no sealed bids shall be taken into consideration for evaluation if submitted to our above mentioned company address after the said date.

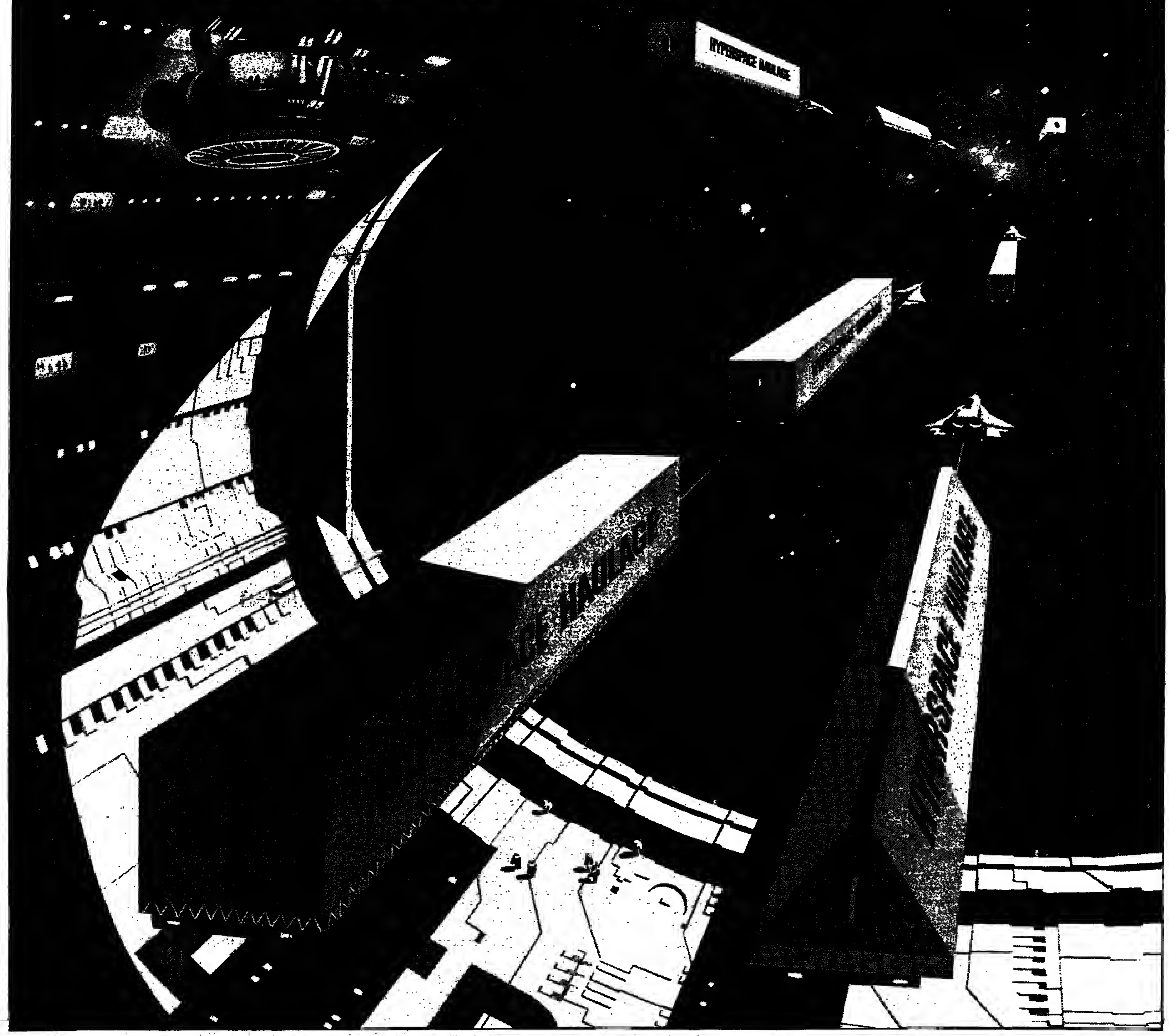
4- Our Company reserves the right to place the order either partially or completely with any bidder or to cancel the tender completely. The receipt of quotations shall in no way be binding upon our company.

5- As the finance source, either SUPPLIER'S CREDIT or any credit in foreign currency to be provided by Erdemir shall be utilized.

6- During the bidder's qualification, following points shall be taken into consideration:
(a) Bidders must have adequate experience for the establishment and/or modernization of similar facilities. If the bidder is a trading company, the bids must be submitted together with other fully qualified sub-supplier(s) whose qualifications meet the above mentioned requirements.
(b) The sub-supplier(s) so selected by the bidders must be well experienced companies in their respective fields.

مكتبة الأصل

THE FREIGHT COMPANY WE TOOK OUT OF THE RED AND INTO THE FUTURE.



They're not really called Hyperspace Haulage. But (who knows?) one day they might be.

Last year they were a freight forwarding company with a £5 million turnover and expanding fast. So fast, in fact, that they were threatening to self-destruct on their own success.

Although they had an overdraft facility with another bank, they were finding it still wasn't enough for their needs.

Unfortunately for Hyperspace Haulage, the bank was unwilling to increase its exposure – even though the overdraft was secured by directors' guarantees and second mortgages.

Enter the NatWest Group.

One glance at Hyperspace's operation showed that the nature of their business involved large debtor balances (over £1 million at any one time). Our suggestion: invoice discounting.

In other words, NatWest arranged to pay Hyperspace up to 80% of every single invoice the moment it was raised.

The result in this case was that Hyperspace no longer needed that overdraft.

Cashflow was instantly improved.

The balance sheet now looks healthier.

And the directors no longer have to put up their homes as security.

Hyperspace Haulage had never considered invoice discounting, simply because they had never heard of it.

No wonder, their business is freight forwarding. And NatWest's business is banking.

But by taking the trouble to get to know their business, we were able to take the initiative and offer an innovative solution.

"Hyperspace Haulage" now face a future where the sky is very probably <u>not</u> the limit.

NatWest Business Service

P R E S S F O R A C T I O N

THE MONDAY PAGE

Gephardt's genie of ignorance

ANTHONY HARRIS
in Washington

THIS COLUMN is mainly about a plausible, handsome and dishonest politician called Richard Gephardt, and I very much hope that it is a waste of paper.

We will know by the end of this week, when his showing in the Democratic race on Super Tuesday will be a matter of history.

The smart money in Washington is expecting him to make a strong showing, and that could be dangerous for the markets and the economy. It is time at least to try to understand him.

Until very recently, there has not been much in the race on either side to excite the markets, or an economic observer.

All the candidates talk about the deficit, but the only one with a hard programme to attack it, ex-Governor Bruce Babbitt, won nothing but the admiration of the serious press.

The Rev Jesse Jackson has some proposals that would appeal to the old left in the British Labour Party. Among them are a national vetting system for industrial investment plans, and a proposal to make the granting of trade union rights a test of fair trading practice in foreign competitors. Nobody has taken much notice, because nobody expects Mr Jackson to be on the Democratic ticket.

Mr Gephardt is quite a different kettle of fishiness. He is a youngish Congressman whose skill at being all things to all men has carried him rapidly to important Democratic posts in Coongress. In this respect he is an opposition version of Senator Robert Dole, who is accused of having spent so much of his life arranging compromises that he no longer believes in anything identifiable.

However, while Mr Dole has gone to the country with all his Senatorial vagueness intact, Mr Gephardt has completely redesigned himself for the campaign, from the eyebrows down.

This consummate Congressional insider is storming round the country as an angry outsider, and voters seem to believe it – as a fellow-Congressman sourly points out, he has already fooled the professionals, so why not? (I have borrowed this thumbnail sketch, and the quotation, from the invaluable Ms Elizabeth Drew of the New Yorker.)

He is playing to the gallery with a carefully calculated mixture of populism and xenophobia, and the blue-collar workers who sit in the cheap seats seem to love it. He has taken this line partly because his only core financial backing comes from a few trade unions: the fact that they like Luddite nonsense helps to explain why they have so little influence in the US these days. However, it is also based on careful market research – it is even said that his famous protectionist television advertisements pick on Korea and Hyundai cars for fear of upsetting the numerous Americans who love their Toyotas. That is sinister.

There is no need to waste much space explaining to Financial Times readers why Mr Gephardt's slogans are nonsense, as are the rather more carefully worked out trade proposals he has put up as an amendment to the Trade Bill now in committee in Congress.

His trade proposals call for retaliation against any country with a large bilateral surplus with the US which can be accused of "unfair" discrimination against US exports. The obsession with bilateral balance ignores the most elementary trade theory, and the terms of the amendment are unworkably vague. His charges against Korea, based on the high price of US imports in that country, suggest that he does not know the difference between a tariff and a consumer tax.

Nobody knows whether he really believes this rubbish (or anything else, for that matter): the danger is that if it goes down well enough with the voters this week, he will be forced to behave as if he believed it, and that he will drag other candidates of both parties down with him. Mr Gephardt, who is intelligent even if he is unscrupulous, seems to sense some such danger.

He likes to insist in television debates that he is just as much in favour of free trade as anyone: he just wants to be tougher in pursuit of it. But it is the xenophobia, the idea that little yellow men are stealing good American jobs, which hangs in the air.

In terms of actual trade policy, the Gephardt menace is easy to overstate. The reason is simply that despite President Reagan's publicly stated belief in free trade, and his determination to veto the Gephardt measure itself, he has in reality been the most protectionist President for a long time.

More than half of US trade is now covered by some 280 quotas, embragoes and "restraint" pacts introduced since he took office, and a Gephardt rule would not make things very much worse.

In any case, industrial opinion is turning against such measures. The computer industry has now protected itself into a crippling shortage of vital chips, there are local steel famines in the middle of a world glut, and above all industrial self-confidence has been reborn. US prosperity now depends on the export boom, and nobody in office will want to endanger that by initiating a trade war.

The threat is, rather, in the financial markets. As Mr Alan Greenspan has been pointing out repeatedly, the stability of the dollar and of US growth rest largely on the willingness of fund managers to buy American. They could be put off by insults or by protectionism, as their opposite numbers nearly a century ago were by William Jennings Bryan's "Cross of Gold" campaign.

They could also fear being frozen out of the market altogether if the latest nationalist slogans, raising the fear of foreign control of US industry and real estate, get a good response in the opinion polls.

Any true "menace" here has little to do with the Japanese, by they have high visibility when they become landlords and collect rents. There are also populist traps for industrialists: the German bidder for the firm which makes Astroturf, on which American football is played, knows this now.

It is puzzling at first sight to know why protectionist slogans should poll so well just now. Manufacturing is enjoying a boom, unemployment is still falling, and American products are competing well at home as well as abroad. It is partly a matter of election politics: Democrats enjoy accusing President Reagan of presiding over the sell-out of America.

There is a deeper reason, though. The US boom is not doing much for manufacturing jobs: these go to new machines, or to cheaper labour in offshore plants. Populism does not seek to understand technology, or to see the benefits in cheaper goods: it looks for a villain. The Asians, and for that matter the multinationals, and the bankers and brokers of Wall Street, all fit the part admirably.

Mr Gephardt is seeking votes by letting this ignorant genie out of its bottle. Even if it proves to be a tired old pantomime genie with no staying power, he ought to know better.

INTERVIEW

In his own fashion

Alice Rawsthorn meets Giorgio Armani

ON THE ceiling of Giorgio Armani's office is a circle of a fresco by Tiepolo, the Italian master of the baroque. The fresco is the room's sole concession to the decorative. The rest of the room is painted in a cool, neutral colour.

There are frescos and neo-classical columns all over the palazzo in Milan where Armani lives and works. None, save the tiny Tiepolo, are visible. To Giorgio Armani frescoes and columns could constitute a distraction. The whole building has been faced with panels in the neutral shades of beige and grey which are more conducive to his work.

"To me, work is essential," he says. "If I cared about money, I would have given up five years ago. Instead I care about my work. I always want it to be better. And it is still not good enough."

This week the peace of the Armani palazzo will be overrun by the mêlée of models, photographers, journalists, buyers and socialites who are now congregating in Milan for the autumn womenswear collections.

Milan emerged as a force in the international fashion industry in the late 1970s. Its designers are now as influential as those of Paris, New York and Tokyo. Giorgio Armani – or "King Giorgio: the Master of Milan" as Women's Wear Daily, the US fashion trade paper has dubbed him – is the most influential of all.

The sharp-shouldered suits which bear the Armani label have become the corporate uniform for bright young bankers and brokers from Manhattan to Marunouchi. The jeans and jackets of Armani's Emporio collection are as fashionable among the young *paninari* who throng the Burgy Bars of Milan as the flash young football fans filling the disco pubs of London's East End.

Today the Armani empire is one of the world's most successful clothing concerns selling to 2,000 shops all over the world with annual sales of more than L400bn (£200m).

Giorgio Armani, its architect and sole owner, is now in his early 50s with a secure place in the annals of fashion design and incalculable personal wealth. Yet he is as far removed from the popular stereotype of the frivolous, flamboyant fashion designer as it is possible to be.

The Armani working day begins at 8am and rarely ends before 8pm. Unlike other designers – who, having made their mark, cheerfully delegate the workaday business of design to assistants – Armani is personally responsible for the design of each of the 3,000 or so items which bear his name every year.

A team of 10 designers work with him, finding suitable fabrics and suggesting ideas. Armani not only makes the deciding choice of fabric, but vets all the "rejects" and is responsible for all the final design ideas. He also fits and finishes every part of the collection.

This rigorous schedule means that Armani has little time for interests outside his work and rarely leaves Italy. In Milan he moves between the two palazzos which are the base of his empire: the one in the Via Bougonuovo is the design centre, the second in the Via Durini houses administration. At weekends he may migrate to one of his three country homes. Wherever Armani is, he works. Even on holiday he sketches designs.

Armani fell into fashion design "by accident". The son of the manager of a transport company in Piacenza, north-west of Milan, he originally studied medicine. After dropping out of medical school he joined La Rinascente, the Milan department store, as a buyer. In 1975, after 10 years as a designer for other companies, he set up his own business with Sergio Galeotti, a close friend.

● PERSONAL FILE

1934: Born in Piacenza
1955: Began medical school
1957: Joined La Rinascente department store, Milan, as a buyer
1964: Appointed as a designer for Cerruti menswear
1970: Became a freelance designer
1975: Founded the Giorgio Armani design house with Sergio Galeotti
1981: Launched Emporio Armani
1984: Sergio Galeotti died, Armani took sole control of business.

The first Giorgio Armani collection was sold from a basement – "a very well-designed basement" – beneath his home. It was an instant success.

"The reason why everything happened so quickly, was that it was time for a change in fashion," he says. "Fashion then had great mystique. Clothes were very elegant, but it was as if to look elegant you had to be uncomfortable."

"My idea was simple: that clothes should fit in with people's lifestyles and that elegance need not necessarily involve dressing up. The clothes that I designed were elegant but they were also comfortable and easy to wear. They were the sort of clothes that people had been waiting for."

The success of Armani's first collection assured him of a place among the leading international designers. It also coincided with the emergence of Milan as a centre of design – and the advent of other Italian designers such as Gianni Versace and the Missonis – and marked a watershed in the development of the Italian textile industry.

In Italy there is an exceptionally close rapport between high fashion designers and the giant textile groups. The Italian textile industry traces its origins to the cloth artisans who have flourished for centuries in the Northern provinces.

During the post-war years, the Marshall Plan's influx of US aid created a core of huge production plants. The modern textile industry gathered momentum in the 1950s and 1960s. By the early 1970s the Italian industry was firmly established as an important international source of textiles. All it lacked was prestige.

Whereas in other countries, textile manufacturers have tended to shy away from the ethereal world of the designer, the Italians were shrewd enough to realise that a thriving domestic design centre could be of inestimable benefit to their own businesses.

The textile giants of Italy have since put great effort into forging production links with the Milan designers, frequently contributing to promotional budgets and, in some cases, investing directly in the design houses.

As a result, the designers had access to the high-tech production plants and capital they needed to build up their businesses. Meanwhile the Italian textile industry, basking in reflected glory, has gone from strength to strength. A company like Gruppo GFT in Turin – which manufactures for Armani, among many other designers – is now one of the largest clothing concerns in the world.

Armani is convinced that the textile industry's contribution has been crucial to the success of the Milan designers. "What happened in Italy," he says, "is that the manufacturers realised that to keep the industry going they had to explore the innovative ideas and the talent of the designers around them.

"At the same time the designers realised that they needed to work with the industry. A designer can have great ideas, but those ideas are useless without the right fabric, manufacturing capability or good people to do the work.

"In Italy designers and manufacturers have worked hand in hand: both moving in the same direction. It is this partnership which has been so successful."

The Armani business grew steadily throughout the 1970s and early 1980s. It opened boutiques in big cities both in Italy and in other countries; and negotiated licensing agreements to expand into new fields, such as the perfume it developed with Helena Rubenstein.

But in 1984 Galeotti died. Armani lost not only his closest friend, but the linchpin of his business empire. Until his death Galeotti had handled all the financial aspects of the fashion house, leaving Armani to concentrate on design.

Armani, who inherited Galeotti's half of the business on his death, has since run the company. "In the early days it was very difficult," he says. "I knew nothing about finance. But I am a possessive person and I like to be on top of things. I had to learn very quickly. It was like cramming ten years of university into a year."

"Now I work with good financial people and I enjoy it. My creative work has also benefited. Before, if anyone criticised my designs, I would suffer, really suffer. Now I have become more objective. I can even look at my work as if I was not the one who created it."

Over the next few years the main thrust of the business will be to continue the international development of the Giorgio Armani and Emporio collections. Last year nearly half of the group's turnover came from Italy, with a quarter coming from the US. For the future, Armani intends to develop the Giorgio Armani collection in Europe and the US and has just concluded negotiations for a joint venture in Japan.

The plans for Emporio, the leisurewear label, are even more ambitious. Armani sees it as the banner for an international retail operation. "In the last four years Emporio has boomed," he says. "It has become an international Interest." There is already a chain of Emporio shops in Italy. The concept will now be expanded – chiefly through franchising – to create a chain of 70 outlets elsewhere in Europe and 70 in the US.

In the short term, at least, Armani has no intention of relinquishing his control of the business, nor of beating a retreat from the world of design.

"I want the Giorgio Armani house to become a legend," he says. "It is not a legend yet. The business is a loose web, but the cobweb is closing. That is why I still work so hard."

A question of confidentiality

JUSTINIAN

GEORGE Bernard Shaw once rebuffed an entreating friend who wanted the great man to reveal a secret, by saying that while he implicitly trusted the friend, he could not be certain about all those people to whom the friend might be talking.

That paradoxical Shavian remark does not appear to have crossed the mind of the Vice Chancellor, Sir Nicolas Browne-Wilkinson, when he held in a judgment delivered on February 26* that there was no reason why private information relating to sexual conduct could not properly be the subject of a legally enforceable duty of confidentiality, not just against the garrulous confidant but also the newspaper to whom the information was leaked.

The background to the law suit presented a domestically unattractive picture. A husband had killed his wife. His trial and conviction for manslaughter attracted wide publicity, including information of a lesbian relationship between another woman and the husband's wife, which was published in a newspaper. This revealed the other woman's identity as the person whom the husband alleged be had surprised with his wife. That other woman had communicated the information in strictest confidence to someone who passed it on to a journalist and hence on to a national newspaper.

The attempt by the three recipients of the information (who were said to have been in breach of confidence) to have the action struck out failed. Since the case will now go to trial, the issue of whether the circumstances in fact gave rise to an action for breach of confidence will still have finally to be determined. The argument that the law did not give rise to a cause of action was rejected by the Vice-Chancellor. He said that it was legally incorrect to say that, in the absence of a legally enforceable contract or a pre-existing relationship, such as employer-employee or doctor-patient, it was impossible to construct a legally enforceable duty of confidence.

The main argument centred around the sexual proclivities of the parties relative to the lesbian relationship. It was argued that the law did not protect such grossly immoral conduct. But the judge, who displays a keen awareness of contemporary social mores, and is himself the antithesis of the mythical English judge who is said neither to know nor appreciate little or anything of how ordinary people live their lives, was unwilling to dub lesbianism as morally shocking.

There is, the judge said, no commonly-held view that sexual conduct of any kind between consenting adults in private was grossly immoral. Such sexual conduct was entitled potentially, therefore, to some protection from prurient and prying newspapers.

The judge acknowledges that the case raises the fundamental clash between the individual's right not to have his privacy invaded and the media's right to freedom of information. The intrusion into people's private lives was unpalatable in the face of hungry and unscrupulous journalists.

If the confidential information arises intrinsically out of a special relationship – such as employment (particularly in government service) or in a professional setting, such as giving information to a doctor or lawyer – the seal of confidentiality should be universally applied. If there is a leak of any sort, the individual should be allowed to pursue anyone into whose hands the information comes: subject always to the qualification that if there has been widespread dissemination the confidentiality may have been irretrievably lost. That is the Spycatcher situation, as decided by the Court of Appeal.

But if the confidentiality arises solely from one individual confiding in another some piece of personal information, he should observe the Shavian maxim, that even the most discreet of friends have a nasty habit of letting out a secret, often unwittingly.

While it might be right that the over-talkative should be curbed by the operation of the law, is there any good reason why the recipient of leaked information, who is not himself bound in confidence and is not aware of the confidentiality attaching originally to the information, should be legally bound not to use the information? For the law to reach out and muzzle the newshound in the circumstances is to extend the bounds of confidentiality too far. If individuals want to keep their personal affairs under wraps, they should restrict the range of people to whom they reveal the skeletons in their cupboards.

The real vice that exists, whereby the newspapers obtain and publish private information for public titillation under the spurious guise of public interest or even matters of interest to the public (which is a slightly different concept) – is the absence of any legal wrong

In the absence of parliamentary action, the courts would be better employed in constructing a cause of action for those who have a right to be let alone, rather than to develop, and thereby distort the proper province of the law of confidentiality.

IT IS AN attractive idea – a Europe in which possession of a single plastic card will allow holders to get money from electronic dispensers from any number of different banks or even go on cashless electronic shopping trips across the Continent.

That is the dream started 10 years ago by a senior British banker, Mr Geoffrey Benson, then chief executive of National Westminster, in response to a request from international colleagues to look into possible areas for co-operation between European retail banks.

It has had a long and sometimes difficult gestation since then. Now, though, it looks as if it will become reality early next decade, thanks to a recent accord between organisations representing 40 banking associations in 17 countries in the European Community, Scandinavia, Austria and Switzerland. They are members of the European Council for Payments Systems (ECPS) and their accord marks an important step in internationalising retail banking in Continental Europe.

Yet the move has also touched on old rivalries between Eurocard, the credit card payments system dominant in northern Europe, Eurocheque, which will share parts of its system, and Visa, its predominantly southern European equivalent. Their computer networks, now used by the banks under strict conditions, would form the heart of the new system, envisages the accord.

First, though, the payment agencies must sort out just how, if they get involved at all, they will adjust their fee structure and technology to allow full compatibility. None of the payments organisations is yet directly involved in the accord – which at the moment is between banks only – though they do have observer status.

The first step . . is to ensure compatibility

At the same time, the Council's attempts to bring the bankers together has shown how trying to create a genuine single European market can sometimes risk distorting free competition.

For that reason, the European Commission – normally keen to push forward the internal market by the EC's 1992 deadline – is keeping a close watch on the banks' plans, to ensure that they do not end up creating a cartel to customers' disadvantage.

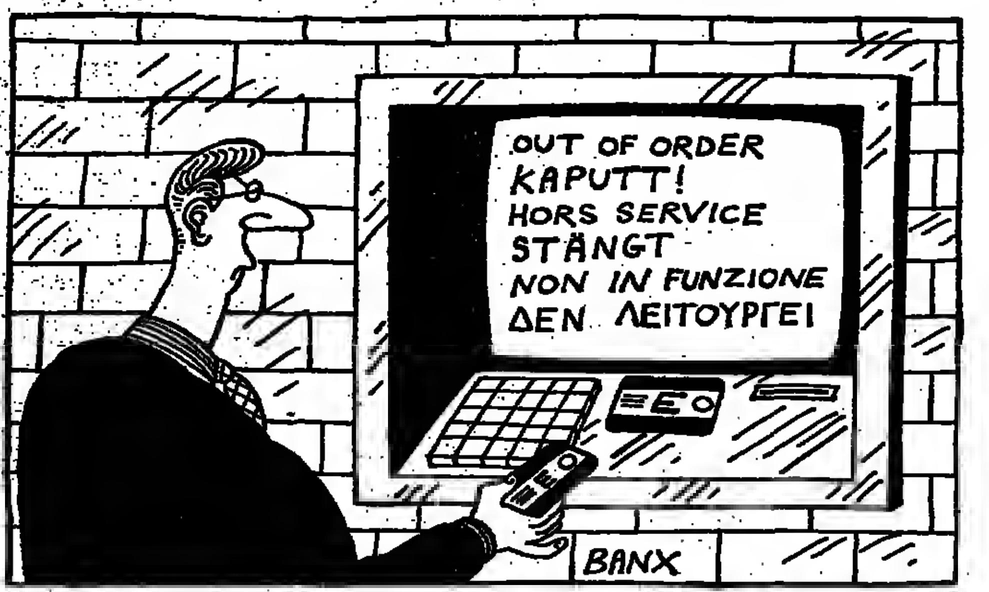
The first step of the accord is to ensure compatibility between cash cards as used in automatic teller machines (ATMs) within the next three years. The plan is to extend the arrangement for cards as used to buy goods in shops operating Electronic Funds Transfer at the Point of Sale (Eftpos) machines. But that will take up to two more years to complete because the fees are more complicated and fraud is harder to beat in Eftpos networks.

Most major card organisations already make their cards useable abroad. The problem is that it is not always possible to use the same card in different machines.

Cash cards

Creating unity – but with a competitive edge

BY WILLIAM DAWKINS IN BRUSSELS



Surprisingly, perhaps, Spain is one of the most advanced in Europe in this respect, offering widespread interchangeability between Eurocards, Eurocheque cards and Visa cards in both ATMs and Eftpos machines. In most of the rest of Europe, such flexibility is patchy at best.

Few doubt that the banks will eventually sort out the chaos, given that they do own Eurocard, Visa and Eurocheque. The card organisations were set up in the 1960s to provide computerised transactions in response to the banks' own shortage of expertise in the field. One reason that the banks now want change is that they have since developed their own telecommunications skills enough to reduce their need to have payments organisations to handle retail customers' needs. In that sense, the accord is an assertion of independence.

"As long as bankers in Europe want it to happen, it will happen," says Dr Ben van Eldik, the council's chairman and a director of the big Dutch co-operative bank, Rabobank. "There are times, however, when the managers of the payment cards do not appear to realise that it is not their system and that it is ultimately owned by banks."

As his comments suggest, a host of extremely sensitive issues have to be sorted out between the banks, the card companies, not to mention the Brussels authorities, before EC citizens can make cash payments freely across the Community. Indeed the technical changes needed – mostly adjustments to the software linking ATMs and Eftpos machines via international payment networks to bank branches – are the least of the challenges that lie ahead.

The most pressing practical problem is what role the card organisations will get under the deal. It has had to be modified several times during the 18 months since its formation. This has been to quell the fears of banks belonging to the Visa network that the show would be dominated by Eurocard and Eurocheque, the leading members of which helped to shape early versions of the agreement.

Eurocheque's strong links with innovative German banks provoked fears from smaller council members – strongly rebuffed by Dr van Eldik – that the accord could give Deutsche Bank an unwelcome opportunity to extend its power across Europe. While Mr van Eldik and his colleagues swear it is "highly likely" that Visa, Eurocard and Eurocheque will make their networks available to the new arrangement, there is still a chance that they might decide to stay out.

Their role would be to link their two payment networks so that the 20,000 or so bank-owned ATMs in the Eurocheque and Visa networks could all accept each other's cards. If they refused to join, the banks would have to set up their own bilateral networks between the 15,000 branches owned by the Council's members, a process which would set completion of the full programme back several years.

Other sensitive questions yet to be tackled include the card companies' identity, their technical compatibility and the future of their fee structures. For one thing, the Council envisages that the payment cards of the future will carry their own recognition symbols to reflect the fact that they will offer different services special to the banks involved. To mark their membership of the accord, there will also be a simple joint logo.

What then happens to the customary Visa or Eurocard signs will have to be sorted out individually between the card companies and their individual bank members. Those discussions will not be easy if the experience of the US payments company Mastercard with its member banks – in a similar accord – is any guide. Then there is the problem of how to integrate Visa's system of routing all European payments through one computer centre in London with the Eurocard system of running electronic fund transfers between many local processing units.

Another complication is that the payment companies run two quite different fee structures. Typically, some of the costs of processing Visa and Eurocards are borne by retailers, whose fee is shared between the local bank accepting the payments – or acquiring bank in industry jargon – and the bank issuing the card. Yet retailers pay nothing for accepting Eurocheques, also envisaged as part of the new arrangement.

The result is that shop-keeping organisations are worried that they might end up paying more all round as a result of the deal, while Visa and Eurocard are anxious about seeing fee structures eroded. "At the moment, we can't see clearly how to solve that one. We have, however, agreed not to discriminate between cards," says Dr van Eldik.

On a political level, the big conundrum is how to co-operate without falling foul of EC rules against any kind of commercial agreement distorting free competition. That is why the Council is applying to Brussels for exemption from competition rules, allowed when "cartels" are set up to help consumers and generally work for the EC's benefit.

"The aim is to have co-operation on payments networks, but fierce competition at the level of services we provide," says Dr van Eldik. "We want to keep what is done centrally to a minimum."

Even so, consumer and retailers' organisations are still worried, judging by the tone of their letters both to the council and to the Commission authorities. Although the accord says banks will remain free to charge what they like for card services, it does signify less competition in determining interbank fees.

There will also be a simple joint logo

However, Commission officials broadly support the idea of the accord – even if they are keeping in close touch with the Council on many of the details. It does, after all, dovetail neatly with Commission legislation in the pipeline to set common technical standards for Eftpos and ATM terminals.

Brussels has also produced a code of conduct on how banks should give fair treatment to retailers accepting their credit cards, and is working on separate consumer protection rules for card holders.

Finally, there is the issue of whether or not the accord will accommodate Diners Card and American Express, the rival US card services and among the plan's most strident critics. Neither has yet been invited to take part, because as non-members of Visa and Eurocard, they have not contributed to the building of their respective networks. This is one reason why American Express is trying to persuade the Commission to scotch the accord under EC competition rules.

ECPS officials do not exclude allowing the US payment companies to join, but the price they will have to pay cannot be fixed until all the other imponderables have been settled.

Looking even further ahead, the accord invites new questions for national banking authorities. For one, the potential it offers for the EC's 320m citizens to make unrestricted personal payments across boundaries could complicate national attempts at monetary and exchange rate control.

Then there is the regulatory problem of how national authorities are to monitor the risk that banking disasters – whether they result from customer fraud, overtrading or bad debts – could cross boundaries with dangerous rapidity thanks to the scope for fast and anonymous payments the accord would bring. "Those aren't primarily our problems," says a Council official. "But we are making damned sure that regulatory authorities are being kept up to date."

UK NEWS

NUM votes to end ban on overtime

By John Gapper, Labour Staff

MEMBERS of the National Union of Mineworkers have voted by a 58 per cent majority to call off a ban on overtime coal production imposed on September 21 in protest at British Coal's introduction of a new disciplinary code.

The move, which may clear the way for negotiations with the corporation on a variety of issues including pay, is likely to be seen as a setback for Mr Arthur Scargill, NUM president, who had argued that the ban should remain in force.

The ban, which miners voted by 34,979 to 25,016 to abandon, was widely acknowledged to have had little effect. Areas such as South Wales originally supported it, but have more recently called for it to be ended.

Only three of the NUM's areas — Nottinghamshire, South Derbyshire and Scotland — voted to continue the ban. Leicestershire (77 per cent) and North Wales (76 per cent), voted most strongly against continuing, and the key Yorkshire coalfield was also against by 54 per cent.

Mr Scargill said last night that the vote came as "no surprise," bearing in mind that many NUM areas that had advocated the ban had been leading a campaign to abandon industrial action.

He said the vote should not be seen as aquiescence to the disciplinary code. Miners had voted against continuing the action because they were "frustrated and angry" that it was ineffective — in some areas having "no effect whatsoever."

British Coal withheld last year's 4.3 per cent pay increase awarded to members of the Union of Democratic Miners from pits where the NUM is in a majority in an effort to force an end to the overtime ban. The UDM was formed as a breakaway union from the NUM following the 1984-85 miners' strike.

Mr Scargill said the corporation should now enter talks "without strings" on a separate NUM pay rise. If it did not, a special union conference should be called to consider taking stronger industrial action over pay.

North-east turns investors away as factories run out

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

NORTH-EAST England, one of Europe's unemployment blackspots, has run out of factory space for inward investors or existing businesses which want to expand. Companies wanting to bring jobs into the region are being turned away, despite unemployment rates ranging between 12 and more than 20 per cent.

A West German company is fighting an English business for the last sizeable factory in County Durham. Each project would create 100 jobs. Last week another would-be incomer was told there was no room in the coastal town of Hartlepool, where male unemployment is the region's highest at 26.8 per cent. The investor is going elswhere.

Mr Alan Humble, director of Hartlepool Enterprise Agency, said yesterday: "All the work being done to attract inward investment is going to waste. Last week we turned away someone we had been working on for nearly 18 months. We hoped something would turn up but in the end we had to say we were full, despite having more than 8,000 unemployed."

There remain a few factories in the region of less than 5,000 sq ft, but there is a critical shortage of those between 10,000 and 50,000 sq ft. At an average ratio of three to four jobs to every 1,000 sq ft of factory space, it is widely believed that the region may soon lose thousands of jobs to other areas with available space.

With the two new towns in the region, *Washington and Aycliffe-Peterlee*, now being wound up, and under tight control of local authority spending, responsibility for building new, advanced factories has fallen almost entirely on English Estates North, the Government's agency.

It too is constrained by tight spending limits. This year's ceiling of £20m has been spent and £13.5m is available for 1988-89. There is little private sector speculative building because English Estates has deliberately kept rents low for years to help inward investment.

Mr Les Henson, chief executive of Durham Development Company, said: "The new towns built 300,000 sq ft a year, 60 per cent of our new space. Demand is twice what English Esates can deliver.

"Having taken away regional development grants, the least that Government can do is to encourage the momentum we have by ensuring that we can meet the demand which we are continuing to create."

Current rents are under £2 per sq ft. English Estates thinks a rise to £2.50 would help attract private sector builders, but the Durham Development Company reckons that £3 per sq ft is the minimum needed to give private builders satisfactory returns.

The factories shortage is so acute that there is not even *enough of a market for market* forces to operate and force rents higher. Development agencies fear that the interval before new factories can be built will hit demand in the area, damaging the momentum needed to sustain what is seen as a fragile economic recovery.

Mr Jim Wilson, chief planning officer for County Durham, said: "Two companies, one from elsewhere in UK the other from West Germany, are competing for same factory and one will lose. Someone else has asked for 40,000 sq ft which we can't provide."

Mr Jeffrey Clayton, deputy managing director of English Estates North, said: "We have just had a record week for inquiries. Demand is running 20 per cent ahead of last year. Rents are likely to rise, but only when there are buildings available."

The north east has to rely on new building because its disappearing traditional industries — coal, steel, shipbuilding and heavy engineering — could not by their nature create a stock of re-useable buildings, unlike the textile industries of Lancashire and Yorkshire which bequeathed large mills. Durham's legacy, for example, was 110 abandoned pits and their attendant slag heaps.

Cartel curbs to be strengthened

BY DAVID CHURCHILL

SIR GORDON BORRIE, the director general of fair trading, is to be given broad new powers to investigate suspected price-fixing and other restrictive business cartels.

The powers will be backed by tough new penalties, including big fines and possible prison sentences, for companies carrying out anti-competitive practices.

The moves are expected to be announced tomorrow by Lord Young, the Trade and Industry Secretary, in a Green Paper (discussion document) following a Government review of of competition policy begun in 1986.

The document recommends a complete overhaul of the more than 30-year-old legislation on restrictive business cartels.

This legislation, it says, is ineffective in uncovering restrictive trade agreements and does not deter companies from forming cartels.

A main weakness of the existing laws are the restrictions placed on investigations by the Director General. He can take action against suspected cartels only if presented with firm evidence. Usually, this evidence comes from a disgruntled party to the restrictive agreement who decides to reveal the deal.

Only then can the Director General investigate a suspected cartel and start legal action in the Restrictive Trade Practices Court.

The powers to be made available to Sir Gordon will enable his officials to investigate suspected cartels without their first having to obtain firm evidence that a cartel exists.

They are also likely to be granted powers of search and entry at present available to European Commission competition inspectors.

The proposed legislation to replace the existing Restrictive Trade Practices Acts will prohibit almost all agreements between companies which have anti-competitive effects.

The Government believes that by concentrating on the effects of such agreements rather than the form they take, the new law will exclude the many innocuous agreements which are caught under the present legislation.

All agreements between two parties which at present contain any restrictions on their freedom of action fall within the scope of the legislation.

Legislation following discussion of the Green Paper proposals is expected later this year or early in 1989.

Inner city campaign to be launched with private sector theme

BY RALPH ATKINS AND PETER RIDDELL

WIDE-RANGING Government plans for rejuvenating Britain's inner cities will be unveiled later this morning by Mrs Margaret Thatcher, the Prime Minister, and senior ministers in London and provincial press conferences.

A glossy brochure called Action for Cities will draw together announcements by several Government departments with an emphasis on harnessing private sector funds and entrepreneurs.

The document and associated marketing campaign will highlight developments in existing inner city programmes and include a few new ideas, rather than announce any substantial change in policy direction or rise in spending. There is to be no White Paper (policy document), nor was any formal Government statement to Parliament planned last night.

The opposition Labour Party launched a pre-emptive attack on the campaign. Mr Roy Hattersley, its deputy leader, said that the need to relaunch plans for the inner cities showed "the Government has failed them. The ragbag of worn out ideas that Mrs Thatcher is likely to launch shows that she will continue to fail the inner cities."

Government departments have been asked to co-ordinate a number of announcements already in *the pipeline*.

The main announcements will be of further Urban Development Corporations, one in Sheffield and the other in the Manchester area, with an extension of the boundaries of some existing ones. These corporations, created under Mrs Thatcher's government, operate distinctly from local authorities and aim to stimulate economic growth in depressed areas by pump-priming private sector funds.

There will also be confirmation of a sixth City Technology College in Middlesbrough, in the north-east, details of the proposed housing action trusts taking over some council estates, improved road links and a Home Office initiative on crime prevention, notably in inner city housing estates.

Greater efforts are also to be made to use derelict land through an extension of the current register of local authority property.

The Government is also likely to back so-called education Compacts, possibly including grants towards launch costs. The scheme aims to provide jobs with local employers for school leavers who meet personal targets.

The Prime Minister is likely to emphasise the role of entrepreneurship in reviving inner cities. Action for Cities will give more responsibility to local enterprise agencies as vehicles for bringing private sector money into depressed areas.

The plan was prepared by the Cabinet Office and includes projects from the Home Office and Departments of Trade and Industry, *Education, Employment,* Transport and Environment.

Among the details which have already emerged are those for a joint organisation formed by 11 of Britain's biggest construction companies to invest in big inner city projects.

Publicist Young spurs big rise in advertising budget

BY PETER RIDDELL, POLITICAL EDITOR

LORD YOUNG, Trade and Industry Secretary has emerged as a major benefactor of the advertising business.

Both as Employment Secretary and as Trade and Industry Secretary since last June, the advertising budgets of his departments have rocketed, and are set to rise further.

The Department of Trade and Industry expects to spend £13.3m on advertising and promotion this financial year — as much as in the previous five years combined.

Lord Young is an unashamed apologist for getting his message across. "Government programmes are like cornflakes," he has said. "If they are not marketed they will not sell."

His enthusiasm for advertising is credited within Whitehall as being mainly responsible for a fourfold rise in Government spending on promotion in three years to around £100m.

Steel hints again at necessity for new leadership

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the interim joint leader of the new Social and Liberal Democrats, yesterday gave a further hint that somebody else should take on the leadership of the party. However, continuing his recent ambiguous stance, he said many people were still urging him to stay on.

Mr Steel was speaking ahead of today's meeting of the party's interim executive which will decide the timing of the leadership contest.

During an interview on ITV's Weekend World, he said the contest could take place in July or October, though he personally favoured July because he did not want a leadership contest going on month after month. He will not disclose until after the local elections in May whether he will be a candidate.

"I have said all along, from last autumn, that there is an obvious wisdom in a new party and a new movement having a new leader. Obviously it will take a little time to get used to such an idea," Mr Steel argued.

He said, however, that there were still "colleagues and influential people in the party who told him he should stay on."

He argued thet the leadership was not the single most important issne for the new party, since it would be a movement that did not depend only on one person, but on a team approach. He edded that whatever be decided he would be standing again at the next general election and would be part of the new team.

Close colleagues believe tha odds are that Mr Steel will not stand for the leadership, though he is open to persuasion. This contrasts with his position at the beginning of the year before all the furore over the joint leaders' policy proposals – now known as the "dead parrot" document – when the odds were that be would stand.

The national committee of the continuing SDP under Dr David Owen will meet tomorrow for the first time to fill vacancies, confirm Mr John Cartwright as president and approve a budget of £1m for the coming year.

A Harris Research poll in yesterday's Observer makes Mr Steel the overwhelming favourite of voters to lead the new party, with 39 per cent backing him, against 7 per cent for Mrs Shirley Williams and 4 per cent for Mr Paddy Ashdown, his most likely successor.

David Steel: will decide after May's local elections

Waldheim war admission

DR KURT WALDHEIM, the Austrian President, yesterday admitted that be knew about the interrogation in 1943 of six British commandos who were later executed by the Nazis, but said he had "a clean conscience."

During an interview on Channel Four's The World this Week, President Waldheim admitted that, while he was not involved in the interrogation of the commandos, he knew about it, but did nothing personally.

Afterwards, Mr Robert Rhodes James, Conservative MP for Cambridge, who is leading the Westminster campaign over Dr Waldheim's record, described the interview as "evasive smoke-screen stuff, lies and whoppers."

Dr Waldheim said, "I heve not done anything wrong. I was sharing the fate of hundreds of thousands of Austrians who were drafted into the German Army. I came from a family persecuted by the Nazis."

Postal union fears call for main office savings

By David Thomas

THE MONOPOLIES and Mergers Commission appears poised to recommend that the Post Office should carry out an extensive programme of cost savings at its main post offices.

The commission is approaching the final stages nf an inquiry into the efficiency of the Post Office's 1,500 main post offices, the terms of reference of which were announced in November.

The Union of Communication Workers, the main postal union, fears that the commission's report will be used by the Post Office as justification for downgrading up to half the main offices into sub-post offices.

The commission, which has met both the union and the Post Office in the past week, is understood to have centred much of its inquiry on the cost difference between the largest post offices, known as crown offices, and sub-post offices which are run on a franchise basis by sub-postmasters who emplny their nwn, often part-time, labour.

The UCW, in its evidence to the commission, concedes that at first sight the average hourly cost for sub-post office staff appears to be £2.40. This compares with £5.13 for crown office staff.

However, the union argues that the cost difference virtually disappears when allowance is taken of hidden factors, such as the amount of time spent by sub-post office staff on business unconnected with the Post Office.

Informal discussions have already been held between the union and Post Office management, which told the union the most radical option would be to downgrade half the main offices.

This would put an end to the union's role in those offices and allow much more flexible use of labour.

Mr Ernie Dudley, the union's officer responsible for counters, said that such a programme, which he estimated could affect up to 5,000 workers, might result in an industrial action ballot across the entire counter service.

Richard Waters continues a Budget series by studying the implications of extending VAT

Younger Nigel's favourite taxation option

A FAVOURITE tax-reforming notion of the younger Mr Nigel Lawson, and one which has been buried under the deluge of comment about personal tax reform, was that the burden of tax should pass from income to spending.

There are signs that it is an idea whose time may be coming around again, although immediate political pressures are likely to slow the pace of reform.

The Chancellor's preference for a tax on spending was most forcefully expressed in 1984, when value added tax was extended to building alterations and hot take-away food.

Reducing some of the tax burden on income and applying it evenly across a wider range of goods increased consumer choice, he said.

The following year saw a brake put on VAT with the announcement that it would not be extended further under the existing Government. As a result, 30 per cent of consumer spending in the UK still attracts a zero rate of VAT, a higher proportion than in any other European Community country.

However, various lobby groups, in particular those representing book, magazine and newspaper publishers, are taking the threat of VAT seriously again.

The extension of VAT is likely to receive a boost from two recent European Court of Justice rulings, one provisional and one final, requiring the imposition of VAT in zero-rated areas. Those rulings were prompted by the UK's failure to implement the EC sixth directive on VAT.

The Chancellor is under pressure not to extend VAT further. The Government has committed itself to keeping fuel, food and children's clothes and shoes VAT-free, putting it at odds with the commission's proposals to bring VAT rates in different European countries into line.

With a political battle of wills brewing, almost any extension of VAT will create the impression that the UK has surrendered sovereignty on tax matters to Europe.

An exception could be books, newspapers and periodicals. In spite of constant prodding, the Government has avoided any commitment to keeping the printed word out of the VAT net.

That ominous silence has many in the industry worried, giving rise to a campaign almost as extensive as the publishers' successful 1985 fight against VAT.

Of the two Court of Justice judgments, only one, concerning spectacles, has been finalised. Imposing VAT on the dispensing of spectacles will not have a great effect. It will cost consumers an extra 3 per cent or 4 per cent on the cost of glasses, or £25m in all, since lenses and frames already attract the tax.

The second, provisional judgment, delivered by the court's advocate general at the end of last year, covers new commercial and industrial buildings and a range of other services to businesses, including gas, electricity, water and sewerage. That will

raise an extra £350m, says the Treasury.

Those estimates assume VAT at the current rate of 15 per cent – a fair bet given the Government's preference since 1979 for the administrative ease of a single rate.

The court's final ruling on commercial buildings, expected in May or June, will follow the preliminary judgment, if past experience is any guide.

That judgment straddles the Finance Act process, which makes it unlikely that the Chancellor will announce a change in his Budget speech.

However, Customs and Excise is said to be working on draft legislation, and the construction and property developement industries are talking about when, not if, VAT will be imposed.

Their main fear is that a change will be introduced late in the Finance Bill process, giving too little time to discuss the complexities of transitional arrangements and concessions.

Most companies would not suffer if new commercial buildings were taxed. They would simply set the VAT they pay (known as input tax) against VAT they receive on their own sales (output tax).

The net effect on the Exchequer, consumers and industry would be neutral: only the system of collection would change.

The £350m bill would be picked up by companies involved in financial services, education, health or land. Their sales are classified as exempt supplies, meaning that they cannot charge VAT. Any input VAT they pay sticks with them, rather than being passed on to the consumer.

Property developers and institutional investors are potentially the biggest single losers. They would pay VAT on new buildings but then be unable to charge VAT themselves on rents or resale.

Estimates of what they would pay vary, but the Building Employers Confederation believes developers would pay about half of the £350m.

There may be a let-out. Under the sixth directive, member states are allowed to give suppliers the right to opt into the tax system. Taking this "option to tax," as it is known, would allow developers to pass on VAT through rents, or by adding it to buildings they resell.

The development lobbyists claim that would be cheaper for their customers. If they were unable to pass on the VAT burden (which most customers would be able to recover), they would simply charge more. Customers would not be able to recover this extra cost.

The National Health Service and local education authorities would face other problems over VAT on new buildings. The cost to them and other public-sector buyers is estimated at about £200m a year by the Building Employers Confederation.

Meanwhile, bargaining is going on over the transitional arrangements. Developers and VAT-exempt industries are concerned that the overnight introduction of VAT at 15 per cent on uncompleted buildings would wreak havoc with their budgets.

Less likely in this year's Finance Act, but still widely feared in the industry, is the extension of VAT to newspapers, magazines and books.

The Treasury estimates that VAT on the printed word would yield £515m. The higher cover prices would wipe £257m, or 7.2 per cent, off total annual sales of £3.7bn, it says. Those figures are almost identical to those arrived at by the publishing industry.

Even if it is avoided this year, VAT on publications could be looming in the future. Publications are among the items that the EC wants to see taxed at between 4 per cent and 9 per cent by 1992, as part of its harmonisatioo rules.

Radical tax reform 'possible'

BY SIMON HOLBERTON

MR NIGEL LAWSON, the Chancellor, can bring in a Budget next Tuesday that represents a radical reform of personal tax and is fiscally responsible, according to City predictions of what changes the Budget could propose.

Mr Gavyn Davies, chief economist of Goldman Sachs, the US securities company, suggests the Chancellor could abolish the higher rates of tax completely and create a single tax rate of 26p in the pound.

Mr Glenn Davies and Mr Andrew Smith, economists at CL-Alexanders Laing & Cruickshank, agree that the basic rate will be cut by only 1p, but suggest the higher rate tax band be simplified and tax charged at 35 per cent, 45 and 50 per cent.

Alexanders also suggests the Chancellor could afford tax cuts of £4.5bn and still achieve a public sector borrowing requirement surplus of about £2.5bn.

Mr Davies said Mr Lawson could introduce partially transferable allowances between spouses as part of a major reform of taxation, which would cost less than £3bn in net tax cuts. He could also lower company tax by 1p to 35 per cent and tax interest and dividends at that rate, thereby introducing greater "neutrality" into the company tax system.

To pay for these reforms, the Chancellor could abolish the ceiling on employees' national insurance contributions; raise customs and excise duties; widen the valne added tax base; and tax employee benefits, such as company cars. He could also tax pension fund incomes.

The Chancellor could do all this against an uncertain macro-economic background, where the need exists to err on the side of caution in framing the Budget.

Tax cuts of less than £3bn would be less than the roughly £4bn required to leave the fiscal stance nentral between 1987-88 and 1988-89, he says. Also, such a Budget would leave the public sector borrowing requirement negative by £1bn or more.

Mr Davies said the Chancellor could live with the political problems created by removing the national insurance contributions ceiling and opt for radical reform.

Textile groups seek curb on 'unfair' trading

BY ALICE RAWSTHORN

TACKLING unfair trading practices in the textile industry should be at the top of the Government's agenda in the current round of internetional trade negotiations, according to a group of British manufacturers.

Three industry bodies today map out their priorities for General Agreement on Tariffs and Trade negotiations which will lay foundations for the international trading of textiles into the next decade. The three bodies are the British Clothing Industry Association, British Textile Confederation and Knitting Industries Federation.

The joint paper they publish today calls for effective action against unfair trade practices such as design counterfeiting and dumping in which imported goods are sold in Britain for less than in the country of origin.

It also highlights the problem of "excessive" tariff barriers imposed by other countries. There are examples of countries levying tariffs of more than 100 per cent on textile imports.

Tha paper calls for stricter controls on the activities of countries like Brazil and South Korea. The industry bodies complain that these economies have developed sophisticated textile industries, yet still claim the protected status of newly industrialised countries.

CBI chiefs angry over rejection of rate reform plan

BY RICHARD EVANS

NFEDERATION OF British lustry leaders are angry that eir rates reform proposals have en rejected by the Government, gely on the grounds that they re submitted too late.

They argue that the main rea- for the delay was the desire to rock the boat before the t election with a critical sub- ssion, or to be seen to be try- to influence voters. They feel y have now been penalised airly.

The CBI submission welcomed st of the Government's propos- , including the community rge, or poll tax, as improve- nts on the existing system.

However, it concentrated on "serious shortcomings" of the ional non-domestic rate, ich will be levied on busi- ses at the same level through- the country and the revenue ributed to each local author- according to its population.

The key element in the CBI rnative was that businesses uld contribute towards the l costs of only those services benefited them directly. It proposed that different types local service should be nced differently to reflect the red pattern of accountability and responsibility.

According to Sir David Nickson, CBI president, and Mr John Banham, director general, the proposals would cost less, improve local accountability, end cross subsidy by business of local residents, and have a more uniform impact on different regions.

The package was submitted in mid-November, when the bill reforming local government finance now before Parliament was already in draft. Major changes at that late stage would have been politically embarrassing for the Government.

The lack of impact of the proposals and their total rejection by Mr Nicholas Ridley, Environment Secretary, have led to bitterness within the CBI at the lack of appreciation among ministers at the difficulties over timing caused by the election.

There is also criticism of the leadership within the CBI for making the submission so late.

Members from the north-west are happy with the Government's plans, as their rates will tend to be lower, but members in the south-east, who will pay more, grumble that more should have been done to alleviate the position.

Most successful Scottish new town 'is E Kilbride'

JAMES BUXTON, SCOTTISH CORRESPONDENT

T KILBRIDE, the new town h-east of Glasgow with a pop- ion of almost 70,000, is Scot- 's most successful new town ttracting industry and creat- jobs, according to a study lished today.

e Strathclyde Business ol study showed that 20 per of the new manufacturing s employing more than 10 le set up in Scotland een 1982 and 1986 went to new towns. East Kilbride is largest and longest established. The others are Livingston, Cumbernauld, Glenrothes and Irvine.

Of the 87 manufacturing start-ups in new towns, 24 were by foreign-owned companies. Of these, eight went to East Kilbride and seven to Livingston.

A recent study by the National Audit Office expressed concern that between 1978 and 1986 of 1,200 companies that had relocated in Scotland, over 840 had moved away.

Agency takes leading role in reviving the back streets

Ralph Atkins on the start of a campaign against urban decay

SNOW HILL in London, where Charles Dickens's hero Nicholas Nickleby set off on his famous coach trip to Yorkshire, will today again mark the start of a crusade against social injustice and deprivation.

The London Enterprise Agency (LEntA), based in the street so vividly described by Dickens, will take on a leading role in government plans for inner cities which are expected to be unveiled this morning.

The Action for Cities plan, to be launched by Mrs Thatcher, the Prime Minister, will focus on using money from the private sector to nurture enterprise in depressed areas. It is a message that will be familiar to LEntA and some 270 other British enterprise agencies.

For nine years LEntA has channelled money from large companies into small businesses, housing, education and job creation in rundown parts of the capital. Some of the work it sponsors is in areas that rank among the most wretched in Europe.

LEntA was the first enterprise agency established in a big British city. Others have followed, but LEntA remains the largest and best-supported. Unlike the others, it is independent from the public sector.

Action for Cities will push LEntA into the limelight and undoubtedly help it raise money and goodwill from the private sector. Yet the organisation is wary of being seen as a panacea for London's inner-city problems.

The agency takes a softly-softly approach in urban renewal. Its projects are small compared with those of, say, the London Docklands Development Corporation.

Rather than embark on sweeping plans to revive local economies, LEntA backs projects which seek to counter hostile images of big companies and to link businessmen with local inhabitants.

Mr Brian Wright, chief executive of LEntA, says intervention by the private sector in sensitive areas can backfire. He warns of companies that come along and say: "That's a good wheeze, here's some money, where's my PR?" Mr Wright considers that attitude "almost as bad as being apathetic."

LEntA was the 1979 brainchild of Shell UK, already then involved in a joint project with the London Chamber of Commerce and Industry to promote small businesses and urban regeneration.

Six founding companies sought primarily to encourage new business in order to halt urban decay. The agency they created was designed as a pilot scheme to be followed by others around Britain.

Today LEntA has 17 member companies including accountancy firms, banks, industrial and commercial companies and high street names such as Marks and Spencer and Sainsbury.

Each pays a subscription of £25,000 a year, but some 200 other companies, in addition to the main sponsors, are involved in individual initiatives. The Snow Hill offices were opened by the Prime Minister in October 1986.

Ashley Ashwood

Brian Wright: a softly-softly approach to raising funds for new businesses in deprived areas

A common concern in LEntA projects is the emphasis on long-term commitment and partnership between the private sector and inner-city communities.

Its stock-in-trade remains training people to set up their own businesses. Since 1979 it has counselled and trained 20,000, and estimates that the process has created at least 11,000 jobs.

It runs a "marriage bureau" which links private investors with small businesses. This is linked with 10 other enterprise agencies to form the Local Investment Networking Company.

Workshops are provided through LEntA properties, which was set up in 1981. Projects include the Tottenham Enterprise Centre which houses 45 workshops and retail units in a former Sainsbury shop. A further scheme in Blackfriars Road is expected to be announced today.

The prime LEntA contribution to education in Britain is an import from the US called the Compact. By linking companies and schools into small groups, LEntA can guarantee jobs for school-leavers who meet personal targets including attendance, punctuality and academic achievement.

The Compact idea was developed in Boston, and was highly praised by Mr Norman Fowler, Employment Secretary, on his trip to the US last week. Similar British schemes are likely to receive Government backing at today's announcement.

The first Compact in Britain was launched by Prince Charles in the East End of London last September. Covering four schools, it was set up by the London Education Business Partnership, a joint body set up by LEntA and the Inner London Education Authority. Ironically, the Government now plans to abolish Ilea.

Further Compacts in Ilea schools in west and south-east London are being launched today. Together with the East End compact, the scheme should provide 1,500 jobs for school leavers in 1989.

Compacts are meant to help local youngsters to join in the prosperity of local companies. They require commitment by both sides - a process which helps bind business with the community and correct misapprehensions.

"Business people generally think schools are bad," says Mr Wright. "Teachers often think business wants to soak every penny out of them and get slave labour."

Housing projects launched by LEntA have been less successful. After the Brixton riots it built 15 housing units on infill sites in the area and sold them at low prices, with local residents being given priority.

But in a fierce property market, LEntA has found it hard to compete for sites against estate agents and the seemingly insatiable demand for inner London land for housing.

The cash return to companies from LEntA schemes is not at first obvious. Inevitably shareholders will not tolerate spending that is completely without reason.

The reply from LEntA is to stress the relevance of an economy's prosperity to a company's success. "There is a lot of truth in the cliche 'Healthy back streets help healthy high streets'," says Mr Wright.

Education schemes improve the quality and quantity of the labour supply. They can help rectify skill shortages which can be acute in London.

They also bring companies into touch with local residents. The East London Compact has been particularly successful in linking large companies with the Bangladeshi population.

LEntA's role is to act as a broker. It splits the risk of long-term ventures between companies, and provides expertise. It would be a courageous company which embarked on similar schemes on its own.

Mr Wright believes that further progress will require an active, not reactive, stance. "We are always asking ourselves, are we becoming an institution?" he says.

"We must not be. We don't want to be the sort of organisation that simply prepares an annual report for its members, saying what has been done with their money. We need to take risks, to be innovative."

Private sector teams ready with response to inner-city initiative

EIGHT TEAMS of business leaders are standing by to provide an immediate private-sector response to the Government's imminent inner cities initiative, writes Alan Pike, Social Affairs Correspondent.

The teams have been established by Business in the Community, which promotes partnerships between the private sector and local communities, and supports enterprise agencies.

The teams intend to encourage projects which trigger inner-city regeneration through employment and training policy, investment programmes and by helping small businesses to grow.

The idea of setting up the teams – first suggested at BiC's annual meeting last November – is to demonstrate that the private sector can, in partnership with local authorities and voluntary organisations, make a practical contribution to inner-city regeneration.

Since November, chairmen and members have been found for all eight teams. The groups are:

Priority hiring and training, chaired by Mr David Rowland, deputy chairman of Willis Faber, to target employers' recruitment and training programmes on unemployed young people in the inner cities.

Inner-city enterprise development, chaired by Mr Kent Price, chief executive of Chloride, to promote youth enterprise programmes and local enterprise agencies.

Enterprise and the built environment, chaired by Mr Brian Corby, chief executive of the Prudential Corporation, to promote job creation through areas such as property development, housing and workshops.

Education partnerships, chaired by Mr Martin Findlay, vice chairman of Whitbread, to promote links between education and industry.

Finance for enterprise, chaired by Sir David Scholey, chairman of S G Warburg, to promote private-sector loan and financing initiatives.

Local purchasing, chaired by Mr John Neill, chief executive of Unipart, to encourage large businesses to support small ones.

Voluntary sector initiatives, chaired by Claude Hankes-Drielsma, chairman of the management committee of Price Waterhouse, to co-ordinate voluntary sector initiatives and links with the private sector.

Marketing private sector initiatives, chaired by Mr Michael Heron, a director of Unilever, to convince companies of the value of community involvement.

Other leading business figures who will serve on the teams include Mr Tim Bell, chairman of Lowe Bell Communications; Mr Allen Sheppard, chairman and chief executive of Grand Metropolitan; Mr Peter Birch, chief executive of Abbey National; Sir Lawrie Barratt, chairman of Barratt Developments; Mr Tim Melville-Ross, chief executive of Nationwide Anglia and Mr Joe Palmer, group chief executive of Legal and General.

The teams are working to a two-year timetable and will be supported by other groups of business representatives at local level.

Specific ideas being developed include the establishment of enterprise fellowships to enable young managers to adopt inner-city partnerships as part of their own management development, and a national scheme to encourage young professionals to provide new businesses with management advice.

Small businesses considering employee pension plan

BY ERIC SHORT, PENSIONS CORRESPONDENT

MORE THAN half of Britain's small businesses are considering setting up a company pension scheme for employees under the arrangements that come into operation next month.

This was revealed in a Gallup survey of 200 companies with 150 or fewer employees for Legal and General Group, one of the largest UK pension companies.

Among the changes are a drastic reduction of benefits from the State Earnings Related Pension Scheme (Serps), a provision for employees to set up their own schemes under the new arrangements and an easing of conditions under which employers set up company schemes.

No company in the survey had its own scheme for employees, although nearly 70 per cent had one for senior executives.

However, there was a high awareness among the companies surveyed of the changes, in particular, that employers could set up schemes contracted out of Serps at no extra cost to themselves.

Under such schemes, the rebate portion of the national insurance contribution is paid into a Comp (Contracted Out Money Purchase) scheme instead of to the Department of Health and Social Security.

The main drawbacks of the Comp are the administration requirements, including the need to make prompt monthly payments.

Many life companies will not promote Comps because of this perceived defect.

But nearly 80 per cent of companies in the survey showed that their payroll systems dealt with income tax and national insurance returns promptly and could handle the requirements.

Growth forecast in disposable nappy sales

By Maggie Urry

THE DISPOSABLE nappy market is set to grow at 15 per cent a year until 1991, when it will be worth £452.6m, according to a report by Marketpower, a market research company, on the consumer disposables market.

The market was worth £225m in 1986, 10 times its size barely seven years earlier. The improved design of disposable nappies – resealable tabs, multi-strand elastication, and greater absorbency – have increased their popularity.

Even so, Marketpower estimates that only 55 per cent of British babies wear disposable, as opposed to towelling, nappies, a far lower proportion than in continental countries.

Own-label nappies hold nearly 40 per cent of the market, and the leading brand, Peaudouce, has a 30 per cent share worth £67.5m.

Other sectors of the disposables market – paper towels and tissues, lavatory paper, tableware, sanitary protection and wrapping materials – offer less interesting growth prospects.

Paper tissues are expected to be the worst performers, the market expanding at an estimated 1.2 per cent a year, partly thanks to improved treatments for hayfever.

Disposables Report. Marketpower. 84 Uxbridge Road, London W13 8RA. £85.

Tougher rules on BT price rises urged by users

BY DAVID THOMAS

THE MAIN organisations representing telecommunications users are demanding that rules governing British Telecom's price increases should be much tougher.

The Office of Telecommunications, the industry's regulatory body, is in the middle of a large-scale review of BT's pricing rules. Its outcome will have implications for the company's profitability, efficiency and quality of service.

The Telecommunications Users' Association, representing mainly business users, sent Oftel its response to the review last week.

The association argues that BT should have to keep its prices to four or five points below the retail price index, because it believes that BT's improvements in efficiency and cost control have not kept pace with those in other large businesses. "BT's improvements are not matching up," the association's paper says.

This argument is echoed by the Telecommunications' Managers Association, representing managers running companies' telecom networks, which is on the point of sending its submission to Oftel. "We are looking for a considerable improvement in BT's efficiency," said Mr Ray Austin of the TMA. He said the association would suggest something bigger than three points below the RPI rise.

Professor Bryan Carsberg, Oftel director general, has stressed that one of his prime jobs is to represent consumer interests. So Oftel is likely to be much influenced by users' views.

The review has been triggered because the present pricing formula is due to expire in mid-1989.

It has kept BT's annual price increases for its main inland services – call charges and line rentals – to three percentage points below the change in the RPI, reflecting the assumption that BT can cut its real unit costs by 3 per cent a year.

The TUA paper suggests several other ways to strengthen the rules governing British Telecom including:

● Additional services, including connection charges, line rentals and private business circuits, should have their prices controlled.

● There should be separate controls on the prices of individual services, rather than the present cap on a basket of services.

● If BT enjoys exceptional profit increases through unexpectedly rapid technological advance, part of those increases should be clawed back in reduced prices for consumers.

The association leans to the view that penalties on BT for poor service are best handled by including them in service contracts, although it does not rule out embodying them in the pricing formula – an idea which Oftel is already studying.

The submission also proposes special discounts for large business users of telecommunications and says the new formula should run for four years, with a mid-term review after two-and-a-half.

European chip group to bring in more partners

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

EUROPEAN SILICON Structures, (ES2), the pan-European semiconductor group set up by Mr Robb Wilmot, former head of the ICL computer group, is planning to expand by bringing in more large industrial shareholders.

At least two additional equity holders, each contributing about $5m (£2.8m), are expected to join the company's list of industrial partners.

ES2 is aiming to establish links in particular with a leading company from West Germany, where it has no shareholders and it wants to reach a similar agreement in the US, where it has already established an affiliate company that may eventually be funded entirely by North American partners.

Mr Rod Attwool, vice president, said discussions began because potential customers had expressed an interest in taking a shareholding when the company was considering expansion. The group has adequate funding, he said, with about $35m in liquid assets.

ES2 was established two years ago in an ambitious effort to redress Europe's weakness in chip manufacturing by creating a highly specialised semi-conductor group making semi-custom products, known as Application Specific Integrated Circuits. Its electronics specialists were drawn from all over Europe to emphasise the international nature of the project.

Equity finance for the venture was raised from seven industrial partners based in the principal West European markets who are expected to use the chips and contribute market knowledge and development skills.

Loans by financial institutions and state backers brought the total capital to approximately $100m, of which a little more than half is in the form of debt.

Hattersley tells Labour to abandon dated ideas

By Peter Riddell, Political Editor

THE LABOUR PARTY needs to offer radical and constructive ideas, rather than just promise to repeal everything the Government has done, Mr Roy Hattersley, its deputy leader, argued yesterday.

Outlining the aims of Labour's policy review, Mr Hattersley explained in Bridlington how he viewed the danger the party would face at the next election, and how it would have to work to win votes.

The danger was that Labour would appear old-fashioned - not that it would appear too extreme.

"We cannot go into the nineties on the policies of the sixties and seventies," Mr Hattersley said. Labour had to be a constructive party which did not assault the Government solely through "unthinking reflexes."

To win the next election, Labour had to be n party of new ideas, Mr Hattersley went on.

"These days elections are won by parties which are creative and not destructive - by parties with a clear vision of the future they want to see and with a convincing formula for turning that vision into reality."

He argued that for much too long Conservatives had been able to represent themselves as radicals and caricature their Labour rivals as reactionaries.

Mr Hattersley pressed for a continued belief in the extension of social ownership.

However, he said it was neither sensible nor socialist to insist that it must be extended using the rules which were applied to the nationalisation of utilities by Herbert Morrison in 1945.

Problems faced by the party in building on its success in Scotland in the last general election were underlined yesterday in a speech by Mr Dick Douglas, Labour MP for Dunfermline West.

He suggested that Labour should take the initiative by proposing discussions before the next election with other opposition parties on the government of Scotland.

S Korea buys airship to cover Olympics

AIRSHIP INDUSTRIES, the UK-based but Australian-controlled manufacturer of lighter-than-air craft, has sold one of its Skyship-600 airships to South Korea for more than £5m.

The craft will be used by the country's broadcasting service to cover the Olympic Games in Seoul this summer.

John Griffiths reports on improving prospects for Britain's motor manufacturers

Car makers gearing up to turn import tide

British Aerospace is making its bid for the state-owned Rover Group at a time when prospects for the UK motor industry overall are looking better than for more than a decade, new industry statistics show.

An increase of just under 50 per cent in the value of UK car and commercial vehicle exports last year all but halted a previous sharp deterioration in the deficit in the UK's motor trade.

Car production, meanwhile, rose by 12.11 per cent last year to reach 1,142,985 – some 30 per cent up on the 880,000 level recorded in the depths of the last recession in 1982. Commercial vehicle output rose by 7.88 per cent to 246,727 from 228,685.

If Professor Garel Rhys is right, the UK industry's production performance will continue to improve this year to reach at least 1.35m units, a level not seen since the early 1970s.

"Such an increase should be sustainable for a number of reasons," says Prof Rhys, the Society of Motor Manufacturers and Traders professor of motor industry economics based at University of Cardiff and adviser on motor industry affairs to the Commons select committee on trade and industry.

One main reason, he suggests, is that in spite of last year's record new car market of 2.013m units, its rate of growth still trailed that of income growth in the UK.

And since, according to Prof Rhys, all post-war trends show that one year's income growth tends not to affect new vehicle markets until the year following, this factor alone provides scope for a further increase in UK car sales this year.

However, the industry's one real black spot this year, the Ford strike, makes it unlikely that UK producers will achieve a 50-per cent plus share of the market. Even so, Prof Rhys suggests, it is beginning to look like the strike will be seen in retrospect as a temporary setback rather than a turning back of the industrial relations clock.

The start of car exports to Continental Europe from Nissan's UK plant, the start-up of production of the Peugeot 405 at the company's Ryton plant, near Coventry, and expanded Jaguar output are all seen as contributing to higher UK production.

As just-published SMMT statistics show, by far the biggest increase in unit output growth last year came from the Rover group. Output of Austin Rover cars and Range Rover combined was up 16.57 per cent to 471,504 from 404,454. And a 14.91 per cent increase in commercial vehicle production (comprising Austin Rover vans and Land Rover) to 36,746 from 31,976 lifted the group's total output to just over the half-million mark at 508,250.

This was enough to keep Ford in second place. Its output of cars and commercial vehicles combined – excluding the merged Iveco Ford trucks company – rose by 10.87 per cent, to 487,935 from 440,072.(Were tractors to be included in vehicle output, the 59,750 produced by Ford at Basildon last year would have been enough to make it easily the UK's number one vehicle producer.)

The SMMT's statistics show that in the cars sector there were only four "losers" in output terms last year – two of which were in unusual circumstances.

Peugeot's decline was due to the winding-up of its Peykan kits business with Iran, which is fast being offset by rising production for UK and Continental markets.

The fall at the small specialist sports car maker, Panther, was due mainly to preparations to move its entire manufacturing plant from Surrey to Hertfordshire.

Carbodies of Coventry, which makes "black taxis," for the first time in many years is facing market competition from a purpose-built rival, Metro-Cammell Weymann's Metrocab.

The fourth "loser" was Reliant whose FS1 sports car was a commercial flop.

Of the production total, 244,746 cars were exported last year, according to SMMT and Customs and Excise statistics. This represented a 22 per cent unit increase over 1986. The 28,241 commercial vehicles of up to 3.5 tonnes exported represented a rise of 27 per cent.

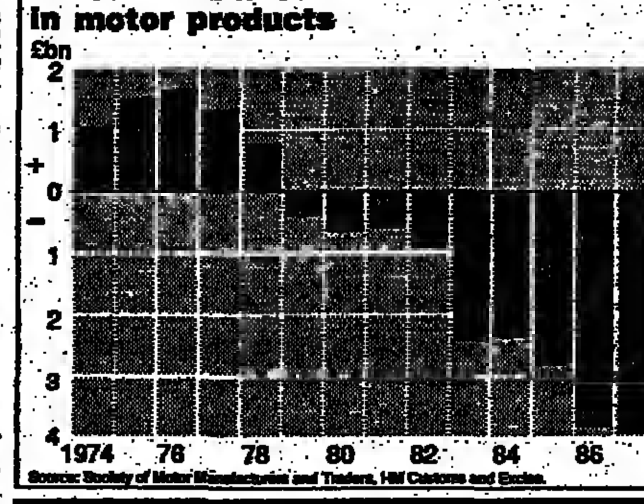
The number of car imports - 1,047,413 - remained far higher than exports.But this was 2 per cent less than in 1986 as the UK-based multinationals sought to provide more of their UK sales with cars actually built in British plants. Imports of light commercials fell 14 per cent in unit terms to 71,683 and other commercials fell 5 per cent to 36,986.

This much-improved balance of trade in built-up vehicles was mainly responsible for the relatively small increase in the UK's trade deficit on all motor prodncts last year, to £3.99m from £3.89m in 1986.

With exports continuing to grow, there are hopes that next year they may at last more than offset one particularly negative factor – surging imports of replacements parts

SMMT economists say they believe "the prospects for 1988 are encouraging, although British-prodnced vehicles will have to be competitive without the advantage of the very low pound which prevailed during the early part of 1987."

Britain's balance of trade in motor products



Source: Society of Motor Manufacturers and Traders, HM Customs and Excise.

UK MOTOR TRADE(£m)

	Fourth Quarter 1987	Fourth Quarter 1986	Full year 1987	Full year 1986
Exports(fob)				
Cars	529	378	1,901	1,312
CVs<3tonnes gvw	26	18	110	55
Other CVs	68	50	278	200
Parts and accessories	862	756	2,986	2,750
Other products	279	236	936	850
Imports(cif)				
Cars	1,182	1,084	4,995	4,791
CVs<3tonnes gvw	81	66	299	296
Other CVs	186	143	603	553
Parts and accessories	1,084	919	3,874	3,096
Other products	128	98	443	399
Trade balance				
Cars	-653	-706	-3,094	-3,479
CVs<3 tonnes gvw	-55	-48	-189	-241
Other CVs	-118	-84	-325	-293
Parts and accessories	-222	-163	-876	-346
Other products	151	138	493	451
Total	-897	-867	-3,991	-3,887

Source: SMMT and Customs and Excise data

UK VEHICLE PRODUCTION

	1987	1986
Cars		
Rover*	471,504	404,454
Ford	386,698	346,267
Vauxhall	183,857	161,857
Jaguar	47,980	41,437
Peug/Tal	45,549	58,428
R-R	2,570	2,531
Carbds	2,128	2,231
Lotus	798	704
TVR	550	521
Reliant	225	269
Panther	209	237
Ast Mart#	222	-
Others	413	586
Total	1,142,985	1,019,519
Comm vehicles		
Ford	101,237	93,805
Bedford§	46,595	51,201
Rover	36,746	31,976
Ley DAF§§	32,264	29,360
Iveco F	14,805	15,802
Renault	5,104	4,133
ERF	2,983	1,991
Seddon A	1,861	1,626
Ley Bus	862	-
AWD	1,821	-
Foden	829	533
Hestair	833	683
MCW	664	278
Reliant	8	22
Others	115	155
Total	246,727	228,685

*Includes Range Rover #Formerly in Others §car-based vans and panel vans now built by IBC §§Includes Freight Rover

Source: SMMT

Commercial vehicle sales register 17% increase

BY JOHN GRIFFITHS

SALES OF all commercial vehicles moved ahead strongly in February, with an 18.36 per cent increase in sales of those weighing more than 3.5 tonnes, the high-value sector of the market.

In the first two months of the year, sales in this category were 10,257 vehicles, up 22.7 per cent on the same period last year. If this momentum continues, estimates of the sector's likely UK market size this year may once again turn out to be pessimistic.

Sales last year reached 58,000 units - nearly 5,000 more than Iveco Ford, the market leader, had been predicting. Iveco Ford has forecast that this year will produce a market similar in size to that of 1987. However, this forecast allowed for some adverse effects of the stock market crash working their way through into sales in the second half – a prospect now considered unlikely.

Iveco Ford has pulled slightly ahead of its closest rival, Leyland-Daf, in the market for trucks weighing more than 3.5 tonnes. Its sales for the first two months are 2,266 units, compared with 2,130 for the Anglo-Dutch grouping.

Society of Motor Manufacturers statistics show sales of all commercial vehicles in February were up 17.71 per cent at 28,913, compared with 24,562 last year.

Leather factory brings 150 jobs

UP TO 150 jobs will be created in Corby, in the east Midlands, when a leather goods factory starts production early this summer.

The factory – which has been set up under the aegis of the John Crowther Group, one of the largest British textile companies – will manufacture leather bags, belts and accessories to be sold through multiple retailers such as Marks and Spencer and BhS.

Crowther has invested more than £1m in the factory, which should begin full-scale prodnction in June.

The group has also concluded an agreement for the manufacturing and marketing of Speedo swimwear in eastern Europe.

Guernsey proposing to pass law governing trusts

BY EDWARD OWEN IN GUERNSEY

GUERNSEY is proposing to pass its own trust law to remove doubts about the validity of local trusts and to provide a statutory framework for their administration.

In a report to the island parliament, the finance committee says the law will follow Jersey's law passed in 1984. It will also incorporate many principles of English trust law.

In spite of the lack of local statutes, personal and corporate trust business has expanded rapidly in Guernsey in recent years.

The island has relied successfully on English law and the validity of local trusts has never been seriously questioned.

For this reason, the Guernsey authorities have been open-minded about the need for local legislation and have been ready to be guided by the island's finance industry.

The industry was divided on the issue until recently. Most of the banks, especially ones of North American origins, were strongly in favour of a trust law as were most of the island's lawyers.

Others, however, argued that the absence of legislation gave professionals more flexibility in drawing up trust deeds to suit specific requirements.

ARTS

'Tis Pity She's A Whore/Olivier

Michael Coveney

John Ford's extraordinary play, published in 1633, set in downtown Parma and documenting a love that dares not speak its name between a brother and sister, has frightened off the sponsors at the National Theatre. Incestuous whores they cannot abide, though murderous Shakespearian heroes and pimps are quite all right.

The irony is that Alan Ayckbourn's disappointingly polite production is about as threatening as a daft old repertory revival. It positively reeks of Old Viccery, that convenient chest ointment it was always advisable to apply liberally to the pectoral area after a foggy night in the Waterloo Road. The Friar, so concerned with Giovanni's passion and how it might affect his career as a miracle of academic wit, appears in open-toed sandals and a predictable grey habit. The evening yawns like a great mountainous divide.

People wander on and off resembling the Doge of Venice, dressed in velveteen garb and funny hats. One of them is Ron Pember, acting execrably, as the astonished pater of Giovanni (Rupert Graves) and Annabella (Suzan Sylvester). This is the original heart-to-heart, a tale of thwarted romance and cardiac arrest, one blood-pumper skewered on a dagger coming old pop to pop off like a Lombardy Lear.

It is unlucky of the National Theatre to have opened this production in the wake of Philip Prowse's infinitely superior version at the Glasgow Citizens. The play is much more textually intact, but the virtue of unkind comparison is to persuade you of various editorial decisions Prowse took. Such as the cutting of Richardetto and his tiresome niece, whose combined revenge sub-plot here remains vicariously unanimated by Struan Rodger and Georgie Glen.

In Glasgow, the nincompoop suitor Bergetto was rendered a penitential mute attached to the Cardinal. The full part is revealed as a great first half character with acting opportunities by Russell Dixon, all got up in pink taffeta and silks and discovering strange swellings about his stomach like the onset of some sexual agues. But you do not feel he is a symptom of mercantile debauchery. Ayckbourn is too timid a director, on this occasion, to rival Prowse's illuminating effrontery in placing the entire action inside a great 17th century cathedral besieged by the plague, the Inquisition and the endless tolling of bells.

The action revolves slowly on a Renaissance pile designed by Roger Glossop that incorporates a campanile, cypress trees, colonnaded galleries and a great hall for the final feast. It is a creation of some ingenuity but no real vibrancy. It becomes most evocative as a haunt of the treacherous Spanish agent Vasques, whom Clive Francis plays like a pantomime villain in a gentle beard. His enlistment by the wronged Hippolita (Polly Adams) goes for little, and the dying curses of the cuckolded society opportunist are discharged without venom or malice.

The sibling smutness is a matter of neither relish nor mustard in this production. Rupert Graves is a wimpy whiner, with far less urgency of thought and expression than Tristram Wymark in Glasgow. Ayckbourn unleashed an incestuous tumult in his production of *A View From the Bridge* but fails to work the same magic here. The tenderness in Ford's writing of the illicit affair is quite beyond the lumpen playing of Miss Sylvester and the strutting propositions of Mr Graves. One feels nothing of a destructive, unwise passion, and consequently the great central shift in the play, of Annabella's conversion by the Friar to conventional marriage with Soranzo (Michael Simkins is a Caroline poseur who fails to rise to this character's frenzy of jealousy, unlike the estimable Ron Donachie in Glasgow) goes for nought.

There are thunderclaps and lightning effects, and an improved concentration in the second half when the affair tightens around the disastrous marriage feast. But I feel that Ayckbourn has allowed the shocking simplicity of Ford's language and situation to go by default, with the result that the incisions are messy where they should be cold, taut and ferocious.

The lighting by Mick Hughes is notably creative, even if it is in the service of almost laughably old-fashioned production values. Bridget Turner is the gossiping tutor, letting slip the foul secret on an idle garden swing, but other characters, such as Roger Hammond's Donado and Nigel Bellairs's Cardinal, are ill-researched and lazily executed.

Rhapsody In Blue/Birmingham

Clement Crisp

Richard Alston's newest creation for the Rambert Dance Company received its first performance at the end of last week during the company's season at the Birmingham Repertory Theatre. This is a strange house for dance, the vertiginously raked auditorium making it seem as if one is viewing the movement from the side of an alp. But the stage is a decent size, and Alston's realisation of Gershwin's *Rhapsody in Blue* takes advantage of its space.

His forces are three couples, the men in tails, the women fetchingly dressed by Victor Edelstein in long blue chiffon dresses with heavy arabesques of gold paillettes at breast and hip. (The great advantage of using a couturier to provide costuming is that these dance frocks move beautifully and flatter their wearers.) There is also a subsidiary trio of a man, Jeremy James, in a white tuxedo, and two girls cross-dressed in dinner jackets. With their conscript hair-styles, they bring an odd, androgynous note to what is otherwise a playful and palate-tickling work.

Looking at *Rhapsody* on Friday night, I was struck by a formal relationship to Balanchine's *La Valse*. There is the same introduction using a forestage (and Gershwin piano preludes) for the trio – who nip and tuck through the ballet with much allegro movement, even making reference to Alston's earlier *Java* – and when the full stage (and the title score) is brought into play, we see the activities of the three couples as a gloss upon ballroom dancing which aspires at moments to something almost balletic. Unlike *La Valse*, there is no trace of dramatics: this is a rather unadventurous response to Gershwin's rhythmic fantasies, which are tirelessly played in the solo piano original by Christopher Swithinbank. The only textiles in the piece come from the contrast between the decorously conventional movement of the couples, the women in heeled shoes, and the bright and contemporary chatter of the trio.

The programme begins with another contrast, between the assured creative procedures of Siobhan Davies in *Rushes* and the turgid manoeuvres of Michael Clark's *Swamp*. After the lethargic couplings of *Swamp*, which opens the evening with the additional hazard of Bruce Gilbert's thumping score, its cast made to look like foolish manikins, *Rushes* proposes dancers as human beings. Miss Davies's argument is that the movement gains in impulse and energy just as Michael Finnissy's piano score gains aural weight, and clusters and cascades of notes inundate the dancers. They move and coalesce, their feelings and their actions responding to this extraordinary outside stimulus.

Friday's showing was additionally distinguished by the performance of Paul Old as a leading figure. Where some dancers can seem on little more than nodding terms with their choreography, Mr Old inhabits the dance fully, filling its outlines with a richness of dynamics, a variety of impulse, that is the most powerful advocacy for its manner. He is revealed here as an artist of exceptional gifts.

Eugene Onegin/Covent Garden

David Murray

The Royal Opera version of Chaikovsky's *Onegin*, now staged by Wilfred Judd, still boasts Julia Trevelyan Oman's period-persuasive russet designs (very well lit by Robert Bryan), and a strong, largely new cast. Only Elizabeth Bainbridge's Nurse is familiar, a pillar of homely good sense. Borrowed from the Bolshoi, Mark Ermler conducts a shapely, unlingering performance, a touch impatient with tender moments (or perhaps he expected quicker Russian responses from the band) but soundly dramatic.

Little of Pushkin's literary sophistication informs the opera, so it doesn't matter unduly that the straightforward new principals are simpler than the original characters. Since Wolfgang Brendel's main suit is niceness and decency, we never see his Onegin as a self-regarding dandy – his flaws are nothing worse than glumness and reserve; but he sings warmly, rising to a decent vehemence when his romantic losses are borne in upon him. Nor does Peter Dvorsky's sturdy Lensky much suggest the starry-eyed poet, but he makes a formidable wounded fiancé, delivering his all-but-posthumous aria with powerful feeling.

Mirella Freni returns as Tatyana. Though one wouldn't suspect her of adolescent literary dreams, her nervy, vulnerable innocence is disarming as ever (even with some loss of bloom in the voice); and the mature authority she displays so unexpectedly and movingly as the new matron in the final scene proves that her artistry has not stood still. No doubt her performance, as well as her Russian, benefits from having Nicolai Ghiaurov as her husband: in fact the distinguished bass appears here as her stage husband Prince Gremin too, enhancing the St Petersburg ball with dignity and a splendidly projected aria.

Jean Rigby's honest, well sung Olga, could do with a further suggestion of flightiness. There are charming hints of that in Gillian Knight's still-young Madame Larina. John Dobson's Monsieur Triquet and Gordon Sandison's ram-rod-backed Zaretsky are excellent cameos. Judd has directed the less-peopled scenes to incisive purpose; at the Larinas' big party I missed the lively detail of Peter Hall's original staging, but Geoffrey Cauley has seen to it that all the dancing looks properly domestic, not like turns by a visiting troupe. Altogether, an evening of consistent professional rewards.

The north arcade of the Menil Collection Museum, looking west

Architecture/Colin Amery

A triumph of humility

The subject of the relationship between art and architecture as exemplified in the large number of museums that are being built is an important and fascinating one. It will be a rich field for historians and is currently the most active area of serious architectural development.

Because the technical problems of new museums are as complex as any new commercial building, the whole range of solutions adopted for these problems makes a profitable field of study. Air conditioning and lighting are just two areas that have to be appropriate not only for the users, but also sufficiently tuned and sophisticated to match demanding standards for the conservation of works of art. It is this combination of aesthetic and technical demands that makes the field of the new museum a fruitful one for both architects and their clients.

I have just seen an excellent example of fruitful co-operation between a remarkable and demanding client, the collector Mrs Dominique de Menil, and the architect Renzo Piano. The new Menil Collection is a deceptively modest building in the Montrose quarter of Houston, Texas, close to Rice University campus. Mrs de Menil – she formed her major collection of works of art, from the Paleolithic era to the present, with her late husband John de Menil – finally selected Renzo Piano as her architect because he was easy and cooperative to work with; she has already been through four architects – admittedly Louis Khan had died – in the twenty-year period she has been planning this museum.

Renzo Piano, who comes from Genoa, said in a recent interview: "I don't like the posture of the architect as artist . . . because it doesn't work. Maybe at the beginning when you are younger, you have to prove something to express yourself. But as you get older you relax, you don't have to give proof. You stop caring about that, and you just listen. The architect owes the client a duty of silence." Can this be an architect speaking? We are not used to this level of self-effacement in the profession as a whole.

At the Menil Collection the client wanted a particular sort of museum. She wanted it to be "small outside and big inside" – an almost domestically-scaled space. She also had strong views on the lighting, wanting daylight in the building that would visibly change with the time and climate. Since only parts of the collection are shown at any one time (much of the 10,000 piece collection is in storage, but accessible to scholars) light conditions can be more flexible than in most public galleries.

The museum occupies a grassy island surrounded by small grey and white timber houses which belong to the Menil Foundation and form a kind of estate village. It is two storeys high in some parts and 100,000 square feet in area. Renzo Piano worked with a Houston firm, Richard Fitzgerald and Partners, and also Peter Rice and Tom Barker of Ove Arup and Partners (London) as structural and services engineers. It is a steel and glass building with an outer cladding of grey cypress timber. Piano has designed a roof structure of ferro-concrete "leaves" that bounce the sunlight of Texas between them and allows indirect natural daylight to illuminate some of the galleries.

From the outside the long, low building, with its projecting canopy of long thin curved concrete "leaves," suggests the traditional verandahed houses of the Southern states. But this is deceptive. Immediately you enter on the central axis and turn beyond the entrance you are aware of a grid like plan round a central corridor that is 400 feet long. The gallery spaces are to the north of this spine and all the supporting elements face south. The cross axis of the entrance allows the collection to be divided into longer-term thematic collections to the east and more temporary installations to the west. All the stored collection is on the upper floor. A rather severely grided box and the use of sheetrock (fibreboard) walls means that there is, apart from the exposed roof "leaves," little detail of any kind.

The greatest success of the Menil Collection is the display of Primitive art. These three dimensional objects are shown against a backdrop of planted gardens. They have gained new life in the moving light, and the atmosphere of these galleries is of a natural, contemplative space. I did not feel that the Cycladic antiquities or the Medieval and Byzantine works had as much presence in their neutral surroundings. The moral must be that levels of neutrality need to be monitored as carefully as the level of intrusive museum "design."

There is no doubt that the unpretentiousness and the appropriate technology for the particular climate makes for a quietly successful museum that will not date and which fulfils its client's purpose. The greater joy is the Menil Collection – and for the architect to have achieved that is a triumph of a rare kind – a triumph of humility.

La jolie fille de Perth/Guildhall School of Music

Richard Fairman

It is becoming quite predictable these days that the operas one most wants to see will be found not in the major houses, but in the student theatres of our music colleges. Only a couple of weeks ago, the Royal College treated us to Massenet's *Cendrillon*; and now the Guildhall School of Music is doing lovers of French music another favour with the first full stage production in this country of *La jolie fille de Perth* by Bizet.

This may not be an important opera in the sense that *Carmen* is, challenging the accepted views of its day and creating characters to whom we passionately believe. But it is, at every point, a thoroughly professional piece of work, which shows what happens when a composer of Bizet's effusive lyrical gifts and exceptional ear for orchestral colour (what scoring!) breathes new life into the old, and by that time rather moribund, style of the *opéra comique*.

La jolie fille is at heart a fairly silly and saccharine tale. But if a production sparkles enough, the audience can soon be made to forget how insubstantial it all is: the Guildhall students were lucky in this respect, as the producer (Anthony Besch) and designer (Peter Rice) has given them a surefire framework, handsome to look at, in which to work.

In the pit, the student orchestra under Howard Williams regularly overplayed their fortissimos and it is good to note that the young soloists always responded by singing audibly within their means. The tenor Michael Forest is one of the Guildhall's leading hopes at the moment and the well-rounded, warm and lyrical singing he brought to the role of Henry Smith showed why. It is a shame that his "jolie fille" (Susannah Waters) was not at her best.

In Ralph's big solo scene Tse Woong Kim laid bare deeper feelings in the score with such mature emotional and vocal strength as to make one momentarily consider the stature of the opera anew. Peter Snipp brought a suave baritone, despite some insecure top notes, to the Duke of Rothsay.

Sponsorship

Drive for the Tate

Antony Thorncroft

On May 24 the Prince of Wales will open the Tate Gallery of the North at the Albert Dock in Liverpool. This being the Tate, commercial sponsors are rallying round valiantly, led by Volkswagen. The motor manufacturer has never committed itself to arts sponsorship before but will be backing the Tate with £250,000 over the next year or so.

Much of the money will be spent on advertising the arrival of the Tate around Merseyside. One mobile advertisement will be a van, donated by Volkswagen but decorated by David Hockney, which will ferry children in to the gallery. The Tate is also gaining from the link to London, with Volkswagen financing a biennial Turner scholarship worth £30,000, linked to the new Clore extension which houses Turner's finest works.

Few arts organisations have matched the Tate in forging links with commercial sponsors. At one level there is the jollying along of the very rich, which produced £6m for the Clore extension and £1.5m, from the Japanese investment bank Nomura Securities, to create another gallery. This was the first fruit of the International Council of the Tate, led by Gilbert de Botton, which is now seeking £3m to round off the development of the Tate of the North.

There is a distinction between capital projects and sponsorship. The latter is masterminded by Corrine Bellow who, although she labours under the uninformative title of head of information, has pioneered revenue raising in the UK for a decade. She retires in the summer with almost £2m to her credit, ranging from the $1m sponsorship of ATT, which brings the Hockney exhibition to the Tate in the autumn after visits to Los Angeles and New York, to the £3,000 put up by Elizabeth Arden to sponsor a booklet, "The Female Face."

The Tate is aware what it can offer sponsors – unrivalled opportunities for entertaining, plus the reflected glory of a grand name. Unlike other museums it does not rent out its premises, in particular the Clore gallery, for purely social occasions, but companies can sponsor a concert in the Clore at the price of helping the Tate with a desired project. Thorn-EMI was allowed to put on concerts there last summer in return for financing the Turner symposium; next week PA will be presenting the Ambache Players, and financing a facsimile edition of a Turner sketchbook.

(Like other sponsors PA is switching its money away from big sponsorships with established orchestras, in its case the RPO, and promoting instead new musical troupes). Amazingly Corrine Bellow will not be replaced by a sponsorship specialist. This is even more remarkable at a time when even such a traditional institution as the National Gallery has finally got round to recruiting a full time revenue raiser in Hugo Swire. His first task is getting backers for the exhibition of French paintings from the USSR, including choice Impressionists and post-Impressionists, which comes to the National Gallery in June.

*

The Stock Exchange crash came at a time when City institutions were acquiring the arts sponsorship habit. Most of those committed swallowed hard and continued their planned support. But at least one did not.

AEtna, one of the world's larger insurance companies but still small in the UK, summarily told the Young Musicians Symphony Orchestra it was withdrawing its support for the YMSO's main event of the year, a performance of Schoenberg's *Gurrelieder* at the Festival Hall. To rub salt in the wound the orchestra had already circulated 75,000 copies of its brochure, crediting AEtna as a supporter.

Rather than withdraw committed funds, other financial companies have postponed confirming sponsorships. There is a general air of caution about. It is just possible that the boom in arts sponsorship of the last decade is levelling out. In the US there has been a re-think, with charitable giving (which includes arts sponsorship) rising by only 2 per cent last year as against an average 20 per cent in the recent past.

One significant sponsor which is reconsidering its position, not for financial reasons but for that common complaint, lack of media coverage, is Harveys, which has backed the Leeds piano competition for many years. The official title of the event is the Harvey-Leeds, but the BBC in its extensive coverage gave the company little credit, and, worse, avoided mentioning Harveys in its programme listings, with the result that the daily press programme listings also failed to mention the sponsor.

*

At least one major sponsor of the arts is coming back for more. Digital, which almost two years ago announced a £500,000 investment in dance, is committing itself to another £400,000.

No company has used arts sponsorship as single mindedly as Digital, the second largest computer systems company in the world and the third largest in the UK. It does not advertise its corporate identity: instead virtually its entire marketing budget is devoted to dance sponsorship and entertainment at the events it supports.

According to Richard Martin, its director of communications: "There are 8,000 people in the country we need to build up a relationship with. In the past we were not very good at reaching a boardroom audience, and advertising was too expensive. Now we have already taken 5,000 of them to dance events. We cannot prove it leads directly to new business but we have certainly built up firm links with customers. And we are quite happy with our sales."

Digital is being loyal to its old friends – giving £100,000 to Sadler's Wells, the nation's dance theatre in all but name, and £120,000 to the London Festival Ballet to finance a new production of *Cruel Garden* by Christopher Bruce. It will be a re-working of the 1970's ballet based on the life of Lorca. A new client will be the International Genne ballet awards, which used to be backed by BP, and have the attraction of carrying great prestige at little cost – £39,000 over three years.

Digital reckons it gets as much from its less expensive sponsorship ventures as from its grand gestures. It is most pleased with its annual dance awards whereby it gives money to choreographers to finance productions.

*

After Big Bang and the big crash comes the Age of Enlightenment – at least as far as Charterhouse, the merchant and investment banking group, is concerned. The group is backing the Orchestra of the Age of Enlightenment, London's self-governing period instrument orchestra, to the tune of £120,000 over two years *(writes John Falding)*. Four of the orchestra's 13 concerts this year will be under the Charterhouse banner.

A distinctive feature of the sponsorship is its aim to encourage concerts in historic venues, ensuring that authenticity of instruments and performance style will be enhanced by suitable surroundings and acoustics. The Banqueting House, Whitehall, for instance, will be the setting for a concert on May 19 with the Dutch-born cellist Anner Bylsma featuring Bach, Vivaldi and Geminiani. Gustav Leonhardt will conduct Bach cantatas at the Royal Naval Chapel, Greenwich, on June 15 and Goldsmiths' Hall will house a Mozart evening on July 13.

Antony Thorncroft's Sponsorship column will appear on the first Monday of the month.

Saleroom/Antony Thorncroft

Romantic blockbuster

The blockbuster object of the week is offered by Sotheby's on Wednesday. It is an outstanding romantic painting by John Martin depicting "The assuaging of the waters" and shows the ark as a hopeful gleam on the horizon while the flood starts to recede. It was commissioned in 1839 by Queen Victoria's Mistress of the Robes, the Duchess of Sutherland, and is being sent for sale by the General Assembly of the Church of Scotland.

The large dramatic canvas carries a top estimate of £300,000 but no work of this quality by Martin has appeared on the market in years and it could go for much more.

Christie's has some attractive curiosities on offer today in its Japanese works of art sale. There are seventy five lots from one collection, consisting of items used in the tea ceremony and mainly dating from the 19th century. Collectively they are valued at more than £50,000, with prices ranging from more than £10,000 for a tea bowl of the Momoyama period to as little as £100.

Phillips is also offering some charming collectibles at its ceramics sale on Wednesday – three characters made by Royal Worcester in the 1880s and designed as candle extinguishers. They were collected by Victorians as novelties and the three on offer are rare. One represents Mr Punch and the other two are Budge and Toddie from the novel "Helen's Babies" by John Habberton. Four inches in height they are expected to realise up to £1,000 each.

In the same sale a small red stoneware teapot made by Johann Friedrich Bottger around 1710 could make £50,000. Less than 5 inches high it is a forerunner of Meissen porcelain, and could set an auction record for a teapot.

A gruesome relic appears at Christie's silver auction on Wednesday – a 33-inch-long silver oar which was carried before the hangman at the execution of those convicted of maritime offences in the Cape of Good Hope in the early 19th century. Such oars, as a symbol of authority in the High Court of Admiralty, date back to the mid 14th century, and are the equivalent to the mace in a civil court. Only seven have survived. This example was made in 1806 by William Frisbee.

Arts Guide

March 4-10

Music

LONDON

BBC Symphony Orchestra conducted by Gennadi Rozhdestvensky with Viktoria Postnikova, piano. Sofia Gubaidulina Symphony, Schumann, Bach/Elgar. Royal Festival Hall (Tue). (928 3191)

London Mozart Players conducted by Jane Glover with Stephen Hough, piano. Michael Haydn, Haydn, Mozart and Jonathan Harvey. Queen Elizabeth Hall (Wed). (928 3191)

Royal Philharmonic Orchestra conducted by Walter Weller with Louis Lortie, piano. Dvořák, Rachmaninov, Mussorgsky/Ravel. Royal Festival Hall (Thur).

TOKYO

Janusz Olejniczak (piano). Chopin. Suntory Hall (Tue) (235 2111)

Peter Damm (French horn) with Reiko Housho (piano). Mattus, Vivaldi, Schumann, Rossini. Tokyo Bunka Kaikan recital hall (Tue). (461 2590).

Yomiuri Nippon Symphony Orchestra conducted by Heinz Rogner. Mahler and Takemitsu work commissioned for the orchestra's 25th anniversary. Tokyo Bunka Kaikan (Tue). (270 5161).

Israel Philharmonic Orchestra, conducted by Zubin Mehta. Mozart (Wed); Bruckner (Thur). Suntory Hall (725 [illegible]).

NHK Symphony Orchestra, conducted by Otmar Suitner, with Masafumi Hori (violin). Haydn, Berg, Bach. NHK Hall, Shibuya (Thur) (465 1781).

PARIS

Baroque Music – Les Arts Florissants with W. Christie as conductor and harpsichord soloist: Montéclair, Clérambault, Campra (Mon). Auditorium des Halles (42361818).

Alicia Nafe with Jean Lemaire, piano (Mon). Théâtre de l'Athénée (47426727)

Choir and Soloists' Orchestra: Beethoven (Mon). Salle Pleyel (45638873).

Ensemble Orchestral de Paris conducted by Armin Jordan, Bella Davidovich, Piano: Rossini, Mozart, Frank Martin, Stravinsky (Tue). Salle Pleyel (45638873).

Michael Levinas, Piano: Beethoven (Tue). Salle Gaveau (45632030)

Itinerary Ensemble conducted by Mark Foster: Kaija Saariaho, Frederick Durieux, Magnus Lindberg (Wed). Centre Georges Pompidou, Grande Salle (42 60 94 27).

François Kerdoncuff, piano: Beethoven, Schumann, Debussy (Thur). Salle Gaveau (45 63 20 30)

ITALY

Milan, Teatro alla Scala. Philharmonischen Virtuosen. Mendelssohn, Schubert, Dvořák, and Bartok. (Mon) (80.91.26).

Florence, Teatro Comunale. Carlo Maria Giulini conducting Franck and Faure with soprano Kristina Laki and baritone Dale Duesing (Wed.and Thur). (27 79 236)

Rome, Teatro Olimpico (Piazza Gentile da Fabriano). Beethoven played by the Cleveland Quartet (Wed).(39 33 04).

Rome, Auditorium in Via Della Conciliazione. Gabriele Ferro conducting Mozart, Razzi (with mezzosoprano Daniela Uccello) and Strauss (Mon and Tues). (65 41 044)

Rome, Oratorio del Gonfalone (Via Del Gonfalone 32A): solo violinist Juan Ramirez conducting Mendelssohn, J. C. Bach, Corelli, Handel and Haydn (Thur). (68 75 952)

NETHERLANDS

Amsterdam, Concertgebouw. Piano recital by Maria Tipo, Bach (Tue). Riccardo Chailly conducting the Concertgebouw Orchestra, Escher, Bruckner (Wed, Thur). Recital Hall, Quadro Hotteterre, Purcell, Blow (Tue). Anner Bijlsma, cello, with Marjanne Kweksilber, soprano, and instrumentalists, Hindemith (Thur). (71 83 45).

Utrecht, Vredenburg. Riccardo Chailly conducting the Concertgebouw Orchestra, Escher, Schumann (Mon). The Netherlands Philharmonic conducted by Hartmut Haenchen, with Sabine Meyer, clarinet, Bach, Mozart Ligeti, Shostakovich (Wed). Recital Hall, Vermeer Quartet, Britten, Haydn (Tue). Anner Bijlsma, cello, with Marjanne Kweksilber, soprano, and instrumentalists, Hindemith (Wed). (31 45 44).

The Hague, Philipszaal. The Asko Ensemble and the Hague Percussion Group conducted by Peter Eotvos, with Pi Hsien Chen, piano, and Elisabeth Chojnacka, harpsichord, Crago, Carter, Lachenmann (Thur). (60 98 10).

Rotterdam, Doelen, Recital Hall, Robert Holl, bass accompanied by Rudolf Jansen, Schubert (Wed). (413 24 90).

Groningen, Oosterpoort, Anner Bijlsma, cello, with Marjanne Kweksilber, soprano, and instrumentalists, Hindemith (Tue). (13 10 44).

NEW YORK

Baltimore Symphony, David Zinman conductor, Yo-Yo Ma cello Harbison, Barber, Dvořák (Mon). Carnegie Hall (247 7800).

Hung Kuan Chen, piano recital. Bartok, Beethoven, Scriabin, Chopin (Tue). Kaufmann Hall, 1395 Lexington Av (996 1100).

New York Philharmonic. Klaus Tennstedt conducting, Mozart, Beethoven (Tue). Klaus Tennstedt conductor. Mozart, Beethoven (Thur). Avery Fisher Hall (874 2424).

Maurizio Pollini, piano recital. All-Beethoven programmes (Wed). Carnegie Hall (247 7800).

Steven Machemer vibraphone and Gerald Rank piano. Baroque vibes duo featuring music by J S Bach (Wed. 12.30, Free) Julliard Concerts at the IBM Garden Plaza. 56th & Madison.

Vladimir Ashkenazy piano recital. Schumann, Chopin (Thur). Carnegie Hall (247 7800).

WASHINGTON

National Symphony, Mstislav Rostropovich conducting. Ann-Sophie Mutter violin. Sibelius, Bruckner (Tue). Leopold Hager conductor, Claudine Carlson mezzo-soprano with Women of the Oratorio Society of Washington directed by Rober Shafer. Bizet, Berlioz, Debussy, Ravel (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chamber Orchestra of Europe. Claudio Abbado conductor, Teresa Berganza soprano, Haydn, Mahler, Schoenberg, Mendelssohn (Tue). Orchestra Hall (435 8111).

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Debt after Mexico

TO DESCRIBE the ontcome of Mexico's bonds-for-debt swap offer as an outright flop would be an exaggeration. But it was certainly a disappointment. With only 95 out of 500 or so creditor banks ending up with the new paper, the exercise appears, in the end, to have been little more than an invitation to the less heavily exposed banks to make a graceful exit; perhaps also for a few large money centre banks to make graceful token gestures. But a more general answer to the Third World deht problem it clearly is not. And from Mexico's point of view, the savings arising from the refinancing are paltry.

Yet it would be too pessimistic to go along with those hard-nosed members of the commercial banking fraternity who argue that the deal means little and has changed nothing. For a start, an exit bond has the merit of restricting future debt rescheduling exercises to a smaller number of larger banks, which should make for less tortuous negotiation. It is questionable whether it would make sense for debtors such as Mexico to wave goodbye to the larger bank creditors. Defenders of the package also argue that there is bound to be a learning process in the search for new mechanisms to restructure old debt.

Whether the Mexicans are right in claiming that they have achieved something by persuading creditor banks to acknowledge formally the market discount against the face value of their debt is another matter. Perhaps there is some modest symbolic importance in it; but with hindsight it simply looks like one more logical step along the path opened by Citicorp, when it decided to make substantial provisions against Third World debt last year. Without those provisions, there would have been no scope for argument about how much of the discount belonged to Mexico and bow much to the banks. And in the event the striking feature is the extent to which the banks have managed to maintain their leverage in dealings with the debtors.

Political pressure

At the outset the Mexicans hoped that banks would be tendering for bonds at as little as 50 per cent of the face value of their debt, in the light of the discount in the secondary market. Yet they nltimately felt obliged to take bids at up to just under 75 per cent of face value, while the average discount worked out at little more than 30 per cent. It was Mexico's misfortune that Brazil experienced a change of heart in relation to its own moratorium on interest payments at a crucial moment. The balance of power appears to have swung significantly back in favour of the commercial banks.

Whether this is in the wider economic interest is a moot point. Mexico can reasonably claim to have behaved relatively well, in difficult circumstances, towards the banks. The reward for virtue has been shown to be singularly modest in relation to expectation, which suggests that political pressure may yet bring about a swing of the pendulum back in favour of the debtor. And we remain a long way from an overall solution to a problem that will inevitably complicate the resolntion of the developed world's present trade imbalances.

Capital adequacy

As long as Latin American borrowers are cutting imports, they contribute to the US trade problem and make it harder for the United States to service its external debt. And one of the great ironies of Mexico's debt refinancing is that the country was obliged to bny US Treasury bonds to provide collateral for its own paper, with the result that a major Third World debtor ended up helping finance the US budget deficit. At the same time the US banking authorities did nothing to help the bond issue, by requiring the banks to switch part of their general provisions for Mexico, which count as part of the banks' capital, to specific provisions, which do not.

The message is surely that a solution which calls for capital flows from the developing to the developed world is a questionable model to build on; and that bank regulators should now jointly be pondering capital adequacy rules designed to encourage debt reconstruction rather than to prevent it.

A merger policy for the 1970s

THE REVIEW of merger policy launched 18 months ago when Britain was in the grip of "takeover fever", has reached a rather limp conclusion. The civil servants conducting the internal enquiry have decided to endorse the present, discretionary approach. The policy document issued last week by Mr Francis Maude, the Consumer Affairs Minister, says the Government will continue to apply a broad "public interest" test when assessing mergers and will retain the option of making references to the Monopolies and Mergers Commission "on grounds other than a threat to competition".

There is no shortage of rhetoric endorsing the spirit of the "Tebbit" guidelines of 1984, which stated that a threat to competition should be the main criterion for referring bids to the commission. The paper saya adverse implications for employment, regional development and so forth should not normally constitute grounds for a reference. The catch, however, is that they may do so in "exceptional cases". Virtually every controversial merger is regarded by the impassioned participants as a special case.

Prolonged scrutiny

The decision to retain – and indeed defend – the public interest test means that the type of mergers referred will depend on the personality of the Secretary of State and the political party from which he hails. Lord Young may take a robustly narrow view of what constitutes a threat to the public interest; others will not. Mr Bryan Gould, the shadow Trade Secretary, has already indicated that Labour would exploit to the full the present scope for discretion; a more interventionist Tory successor to Lord Young may do the same.

Instead of putting merger policy on to a firm philosophical footing, the Government has concentrated on streamlining referral procednres. Companies which "pre-notify" the Office of Fair Trading of proposed mergers are to expect a preliminary decision within four weeks. Parties to a merger will be able to make statutory divestment undertakings to the director-general of the OFT and thareby avoid prolonged scrutiny by the commission. If a referral cannot be avoided, the commission will be expected to complete its investigatione within ahont 13 weeks – the timescale achieved to the rather unimpressive report on the BA/BCal merger – compared with the historical norm of seven or eight months.

Speed is important, bnt the risk is that it will be achieved at the expense of quality to merger decision making. The OFT'e slender resources are to be increased: the need to meet this expense is the rationale for charging companles a nominal fee for the privilege of making a bid. But the minor changes being proposed at the Monopolies Commission (most members apend only a day-and-a-half a week on investigation duties) do not appear likely to transform its efficiency. There remains a question mark over this body's reliance on part-time, non-expert members.

The conservatism of the merger policy document is matched only by its parochialism. Merger issues are discussed as though the UK'e membership of the European Community were a technicality. To Mr Maude and his colleagues, the domestic market is most definitely the UK market; yet the message Brussels is trying to get across is that, come 1992, it will have grown to 320m consumers. It makes little sense for small subsets of a large market to have different merger rules or, indeed, to assess threats to competition mainly by what happens within their boundaries. A fuller discussion of the issues raised by European integration would have been timely.

Opaque rules

This is most unlikely to be the last word on British merger policy. A document that could have been written in 1978 is not going to seem adequate in the 1990s. Companies are left with an incentive to sharpen their lohhying skills and can justifiably complain that the refarral rules remain opaque. The Secretary of State retains too much discretion. Perhaps something more radical would have emerged if the review had not been conducted in camera by DTI officials.

Paul Betts in Paris looks behind a new lease of life for the Dassault aircraft company

The new pilot seizes the controls

Serge Dassault: the founder's son rides a little higher

AVIONS Marcel Dassault-Breguet, France's famous fighter aircraft company, has been given a reprieve by the French government.

In the run-up to the French presidential election, Mr Jacques Chirac, the Gaullist Prime Minister, has confirmed the government's commitment to go ahead with the country's ambitious new generation combat aircraft programme, Rafale, to be developed by Dassault. And it has followed this by negotiating the sale of up to 20 Mirage 2000 fighters, worth $24m (£13.5m) each, to Jordan – giving Dassault its first combat aircraft export order for two years.

After some heavy industrial turbulence, Dassault badly needed a boost – a lack of export orders had forced it to lay off workers and close plants over the last 12 months for the first time in its distinguished history. But although Mr Chirac's support for the Rafale and the Jordanian Mirage order has provided a temporary psychological stimulus to Dassault, it has not removed the clouds surrounding tha company'e future.

Serge Dassault, the son of the company's founder who took over the running of the group 16 months ago, has sought to play down the company's problems. "Dassault has the same problems as any other industrial group," he said in an interview to his headquarters to the Paris suburbs of Saint-Cloud. "We must adapt our production capacity to our workload. This is happening all over the world."

Mr Dassault has repeated the same reassuring message in a series of French newspaper and magazine interviews. But despite his public relations campaign, few would deny that Dassault's problems are serious and likely to constitute a test case of French defence and industrial policies in forthcoming years.

Dassault faces a series of immediate problems.

● It depends too much on its single product line of advanced fighter aircraft, although it also makes private business jets and collaborates on space programmes.

● It relies too heavily on export markets which have dried up in the recent oil and dollar crises.

● It has depended too much on the willingness of the French government to adapt its procurement policies to the demands of a go-it-alone national champion and to support its export sales.

These problems have been exacerbated by doubts about the effectiveness of the company's top management. In a sense, Dassault has always had management problems, but to the past they were concealed by the brilliance of its international success and the charisma of its founder, Marcel Dassault, who died two years ago at the age of 94.

Part of the explanation for Dassault's current difficulties is that for many years after the Second World War it flourished in a typically French symbiosis between the company and the state, a symbiosis which was kept alive by the close links between Marcel Dassault and the Gaullists. This relationship, which was long vindicated by the performance of the company's fighters on export markets and in combat, also served General de Gaulle's determination to ensure that France's nuclear deterrent would be purely French and wholly independent.

The warmth of the relationship with the state, combined with the company's undisputed technical expertise, inevitably engendered a feeling of superiority and self-sufficiency.

When the left came to power in France in 1981, Marcel Dassault finessed the threat of nationalisation by voluntarily giving the French state voting control of the company. In exchange, he was allowed to continue running the company as the dominant private shareholder.

"For years they basked in their excellent national and international image and were comforted in their successful do-it-alone policies by their huge export sales," said a long-term follower of the French aerospace and defence industry. "It inevitably made them a bit complacent, and although they were very good they failed to see quickly enough how tha markets and the industry was changing."

Between 1974 and 1985, Dassanlt's export sales rose steadily from about FFr 2bn a year to FFr 11bn, while new export orders rose from FFr 4bn in 1974 to FFr 14 bn in 1985 reaching a peak of FFr 17bn in 1982. That year, exports accounted for nearly 90 per cent of new orders, of which 85 per cent were military aircraft. It is thus hardly surprising that Dassault suddenly faced a crisis when exports of military aircraft dried np completely in 1986 and 1987.

Moreover, the company was less prepared than others to adjust to the new market for fighter aircraft after the oil crisis and the decline of the US dollar. The development costs of new aircraft and electronic arms systems have reached levels which few – if any – individual companies can afford alone. Dassault's past reluctance to join big collaborative programmes had left the group isolated just as it was waking up to the need to find development partners and diversify its product line.

Mr Dassault claims that the company's reluctance to collaborate on projects has been greatly exaggerated. "We have suffered from a false image. Our company has never refused to co-operate. We have done so on the Jaguar, the Atlantic and the Alpha jet." He also emphasises that Dassault is now keen to collaborate with European countries interested to join the Rafale programme.

But it was the Rafale which dramatically underlined Dassault's determination to avoid any co-operation in which it was not by a long shot the dominant partner. The company provides eloquent arguments why France should develop a costly new fighter in competition with the rival four-nation European Fighter Aircraft (EFA). Many people, however, even in France, believe that for Europe to launch two separate new fighter projects is both an industrial aberration and a serious blow to European defence cooperation. "The last thing we need is a military Concorde", remarked one aerospace industry official.

"Co-operation and diversification is our way of life," says Mr Henri Martre, chairman of Aerospatiale, France's state-owned diversified aerospace group. He says that European aerospace companies must inevitably co-operate if they are to compete against the US. The fact that the military sector has uncertain and sluggish growth prospects compared to the civil aviation market, he saya, has made co-operation an essential rule of the game. It also makes restructuring in the defence field much more difficult. "It is obviously harder to make key productivity gains in a market which has stopped growing," he argues.

Apart from the impact of the lower dollar and lower oil prices, the military fighter market is also being squeezed from two directions – every generation of new aircraft is much more expensive to develop and, in the absence of war, every generation of new jets has a longer life span.

Mr Giraud, the French defence minister, has long been an advocate of co-operation. When the government confirmed its intention to go ahead with the Rafale programme earlier this year, Mr Girand indicated that France was very open to co-operation and that there were discussions with Belgium as well as with Spain, West Germany and Britain which are all three involved in the rival EFA project.

At the same time, the French may think they could now get back into the European aircraft game with a fighting chance because of the West Germans' manifest anxieties about the rising costs of the EFA – a larger and more expensive aircraft than the Rafale.

Collaboration in the fighter aircraft field, however, is no longer an all or nothing affair. In a modern fighter aircraft, the aeroplane itself represents only about a quarter of the total cost with the rest going more or less equally to the engine, the armaments and the electronics. Dassault's expertise is in the airframe and its avionics. But it is not clear that France is so strongly placed in some of the other components.

Against this background, the French authorities are showing increasing interest in extending collaboration to the defence field with the US. This is reflected in the negotiations between the French and the Americans over a transfer of radar technology agreement between Thomson CSF, the French state controlled defence and electronics group, and Texas Instruments, the US semiconductor group. If finally agreed, it could create an important precedent in American policy on the transfer of sensitive defence technology to western allies.

During the last three decades no group in France has enjoyed more state protection than Dassault

The proposed technoiogy ewap between Thomson CSF and Texas Instruments is designed to help the French group develop a radar system for the Rafale with the miniaturised components necessary to fit what is intended to be a relatively light aircraft. Althongh the deal could still founder if Washington insists on a ban on exports, it none the less marks a big shift in the approach to defence programmes by France and the US.

Doubts on the future of the Rafale programme itself have not altogether subsided. Ostensibly, Mr Chirac has confirmed his government's intention to go ahead with the Rafale programme designed to supply the French air force and navy with 330 aircraft starting in 1996. In practice, all the government has actually done is to make a firm commitment to place the order for the first two out of the five prototypes for the Rafale programme by the end of April. It was the least Mr Chirac could do during a presidential election campaign he hopes to win.

For Dassault, the longer term future of the company hinges on the Rafale. But even assuming that the programme finally goes ahead, the company will still have to face a delicate and difficult period between now and 1996.

The next few years will test Mr Serge Dassault's ability to assume the formidable heritage which his father left him. So far he has shown every intention to seize the pilot's seat at Dassault and try to fly the company out of its predicament.

When Marcel Dassault died, Mr Andre Giraud, the defence minister, had serious misgivings about Serge Dassault's ability to succeed his father as the chief executive of the company and tried to prevent him doing so. But Mr Dassault enlisted the long standing links between his family and that of Mr Chirac to defeat the defence minister. Since then, he has adopted a tough industrial approach to reduce costs and improve productivity to help make the company more competitive in the difficult military aircraft market.

In a recent letter to his staff, Mr Dassault stressed that the company's fundamental problem was to rednce manufacturing costs. "We must reduce the cost of the Mirage 2000 and of the Falcon 900 (one of Dassault's business jets) and develop the Rafale at the lowest possible cost. The whole company at all levels must mobilise itself towards this task," he wrote.

To this end, Dassault for the first time in its history reduced its workforce by about 800 people in 1986 and followed this np by announcing a further 1200 layoffs out of a total staff of 15,600 and four plant closures last year. But while cutting back its overall workforce, the company has continued to invest hesvily in its traditionally strong research centre. "Although we have had to cut our workforce, we have at the same time continued to boost our research effort by hiring 100 new engineers in our research centre last year. We will be hiring another 100 this year," Mr Dassault says.

Mr Dassault has also scoured the world for new contracts. Bnt be acknowledges that the decline of the US dollar has made the task harder. "We expect orders of between 80-100 aircraft this year (including private business jets as well as military fighters). The potential for combat aircraft sales next year is more than 150 aircraft. The potential is there bnt the low level of the dollar does not help us," says Mr Dassault.

The company has also shown greater willingness than in the past to seek subcontracting work to keep its plants rolling. Indeed, Dassault is negotiating with Aerospatiale the possibility of working on the Airbus programme, but lack of agreement on the financial arrangements has so far blocked the deal. "We have no fundamental objection to doing subcontracting work as long as we make money," explains Mr Dassault.

Although Dassault saw its pretax profits plunge 90 per cent to FFr 42.6m (£4.4m) in the first half of last year compared with the same period the year before, Mr Dassault claims the company's situation is healthy. "We don't sell planes at a loss and we will still make a profit in 1987 after the special restructuring charges," he said.

But there is no doubt that the hardest is yet to come. The competition in the fighter aircraft market is intensifying and Dassault will need all the help it can get from the government to push its export sales. A big question mark still hangs over the future of the Rafale programme and on the attitude to the company of the new French government which will emerge after the next elections.

However, even though Dassault'e arrogant self-assurance of the past has made it few friends, there is a broad consensus in France that a debilitated Dassault would not be welcomed. Dassault continues to be a driving force for French technological development. As one rival European aerospace official put it: "The French would never let Dassault collapse. The government is bound to come ultimately to its rescue and that is likely to put even more pressure on the world military aircraft market."

OBSERVER

Brussels sprouts Carlo's dream

■The 23rd floor of the Brussels Hilton - temporary campaign headquarters for Carlo De Benedetti'a daring bid to win control of Société Générale de Belgique - offers an appropriately uninterrupted view of the elegant offices of Belgium's most powerful business institution.

But as the bruising takeover battle for a group that runs one third of the local economy enters its eighth week, the 53-year-old Italian industrialist must be wondering just how much longer he will have to settle for eyeing up his prestigious prey.

The fact that De Benedetti has not yet been able to devour "La Générale", a task he undoubtedly expected to accomplish in under a month, owes much to the surprisingly stubborn and so far effective defence mounted by a gronp of Belgian shareholders and their Paris-based allies, led by Compagnie Financière de Suez.

Buoyed up by an intoxicating mixture of nationalistic fervour, personal animosity towards the unwelcome raider, and blatant self interest, this disparate consortium appears unwilling to sell its shares to De Benedetti at any price, so far.

In many ways Belgium, which can be seen as synonoymous with Société Générale de Belgique, should have been a "soft touch" for someone with the charm and drive of De Benedetti. The state was only established in 1830 and its development has consistently been plagued by weak Governments and bitter linguistic rivalries between its Flemish and French speaking communities.

It has no strong national identity - as the capital of the EC it is perhaps the most European of nations - and throughout history its people have been helpless in the face of foreign invasions. Napoleon, von Moltke, and Guderian all marched to as if they owned it. De Benedetti has used the tradesman'a entrance and at least he is offering money.

Belgium's openness can be misleading. Large companies like the oil group Petrofina and the chemicals concern Solvay, are effectively controlled by a clique of aristocratic families whose influence and personal connections are often supported by a complex system of cross shareholdings. La Générale istelf was secretive and aloof - but despite anger at its methods the reaction of Belgians is ambiguous. Even the Flemish business community, still largely excluded from La Générale's board, has been relucant to offer its support to the outsider.

Shock troops

■De Benedetti's media blitzkrieg - notably a hrilliantly staged press conference in Brussels on day two of the battle - appeared at the time to be almost a knock-out blow. But his tactics since have been to leave the field to his two French lieutenants, Alain Minc, 38, and the fresh faced 30 year-old, Francois Sureau.

These top men at De Benedetti's Paris-based financial holding company Cerus have impeccable academic credentials (notably early training at France's prestigious Ecole Nationale d'Administration), extraordinary energy (Minc finds time to write book reviews for Le Monde), and the sort of youthful appeal which is intended to provide a clear contrast to the "old men" who dominate La Générale's board.

Their almost nightly TV criticisms of La Générale's poor performance and neglect of small shareholders has provided gripping entertainment for local iconoclasts, but their antics may have upset Belgian sensitivities in a way that may prove to have been counterproductive.

La Générale's Governor, René Lamy, is understood to have almost choked at a meeting before hostilities began when Surean proposed a number of changes which De Benedetti wanted to make, and Viscount Etienne Davignon, La Générale number two and Europe's former steel Commissioner, almost swallowed his pipe at the public suggestion by Minc that he had invented a business with a capital base of 110 per cent through a new share issue.

De Benedetti obviously cannot dissociate himself from Minc and Sureau but he has noticably distanced himself from his "shock troops". They will almost certainly leave the Belgian battlefield when, as most observers now expect, negotiations between the two camps begin.

"We work on the principle – if it moves privatise it."

Royal card

■The role of the Royal family - which along with the national football team represents one of the few unifying influences in modern day Belgium - remains one of the more intriguing mysteries of the Générale affair. The company was founded in 1822 by King William 1 of the Netherlands before the two countries went their separate ways. It had always been assumed that both the Dutch and Belgian crowns retained a small shareholding over the years. Such a possibility, of course, could be significant considering De Benedetti is claiming more than 47 per cent and the rival Franco-Belgian camp 52 per cent of the capital.

The Royal Palace will not comment bnt the consesus is that King Baudin'e stake is at most less than 1 per cent and probably no longer exists.

Stripper's assets

■Belgians are sometimes thought of as staid and stuffy but the De Benedetti battle has inspired plenty of wry humour at La Générale's expense. The Flemish newspaper, De Standaard, carried a cartoon of President Reagan meeting Belgium's caretaker Prime Minister Wilfried Martens at tha Nato Summit above the caption, "Mr De Benedetti".

The cruellest jibes are to be found on a spoof share certificate which has recently been doing the rounds among Brussels stockbroking firms. Société Générale de Belgique has been changed to Société Geniale(?) de Belgique, Société Anonyme (the local equivalent of joint stock company) has been changed to Société Anodine (anodyne), and tha Flemish version Naamloze has been altered to Schaamloze (shameless). The certificate carries the signature of the Italian porno star and politician, Cicciolina, who coincidentally achieved new notoriety when she was expelled from Belgium last week but who is considered by most establishment figures to be a relatively harmless type of stripper.

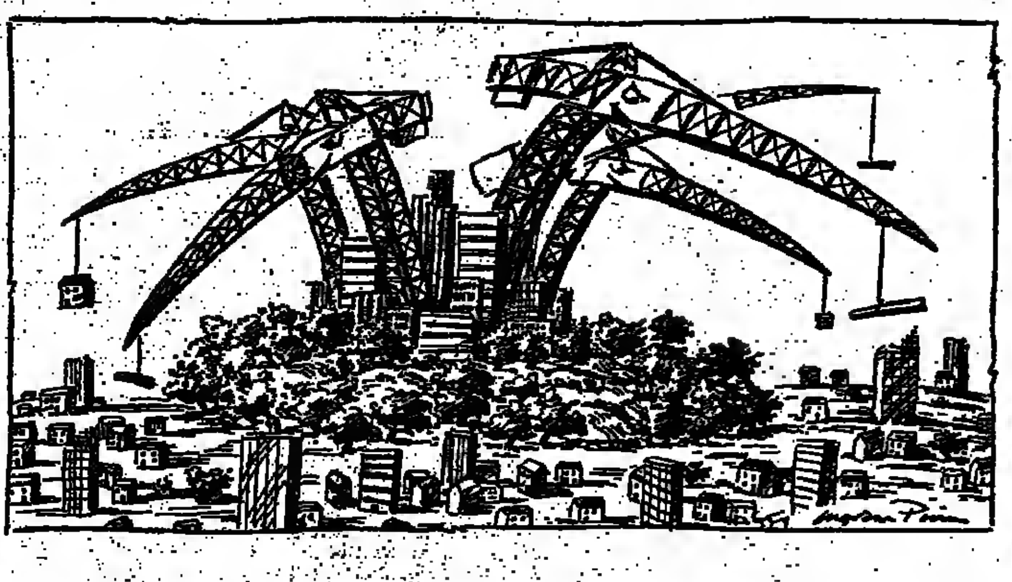
War and Peace?

■A book on the De Benedetti bid has already been published. Could the title of the next be "De Benedetti's Waterloo"?

Tim Dickson

South-east England's prosperity has led to increasing pressure for new housebuilding. **John Hunt** reports on the battle between developers and conservationists

Fighting for a patch of the countryside



THE NEWS from the Department of the Environment that the number of households in south-east England is likely to rise by nearly a million by the end of the century has caused a tremor of apprehension among conservationists and local MPs who are worried about over-development in this already congested region.

In an area where scarcity of building land has made house prices the highest in Britain, conservationists fear that these latest figures indicate pressure to build on rural sites outside the legally-protected green belts. Paradoxically, it is the very success of the Government in restricting new development in the green belts around London and other towns that is forcing builders to look at other green sites.

The builders argue that they have to build in the south-east because that is where the demand is. The restraints on the green belt coupled with the reluctance of shire counties to allow for enough houses in their structure plans has forced up the price of building land and thus of houses.

The department's projections, based on figures from the Office of Population Censuses and Surveys, estimate thet the number of households in the south-east is expected to rise by about 14 per cent to 7.6m by the year 2001.

They are published against a background of growing concern among conservationists. They claim that Mr Nicholas Ridley, the Environment Secretary, is letting his belief in the free markets override his responsibility for the protection of the environment in southern England and that he is allowing too many building developments to go ahead in the face of opposition from residents and local authorities.

Mr Richard Bate, Senior Planner of the Council for the Protection of Rural England (CPRE), says: "It is doing immense damage to the planning system. The whole thing is falling into disrepute."

In evidence he cites the latest figures for England, for the year ended March 1987, which show that 43 per cent of appeals which came to the Environment Secretary for decision were allowed, a rise from the 35 per cent in 1979. The Department of the Environment denies that it has a policy of overriding local authorities. It says that the number of refusals of planning permission by local authorities rose from 13 per cent in 1983 to 16 per cent in 1986/7. In these circumstances, it says, it is hardly surprising that more decisions were overturned.

In addition to smaller housing developments there are now proposals coming forward for self-contained "country towns" to be built in the south-east. There are also many proposals for major retail developments – some of these, near the M25 motorway which rings London, would in fact be within the designated green belt.

A group of about 30 Conservative MPs, representing normally safe seats in the Home Counties and the south-west, are under pressure from their constituents to protect their environment against housing, office and commercial developments. A fierce controversy now centres on Berkshire where Mr Ridley has proposed modifications to the county structure plan which would allow far more houses than the County Council wants, even though his figure is still lower that that sought by developers. The council asked for the building rate to be reduced to 1,600 houses a year in the 1990s compared with 4,900 a year over the past ten years. Mr Ridley has proposed that the rate should be 3,000 a year. He is now listening to further representations before making his final decision.

This dispute is being closely watched as a test case of the planning battle in the south-east. The Government maintains that the proposed level of new housing is essential to attract a highly skilled workforce to this area of high technology business and to enable economic growth to continue.

The clue to this strategy is contained in a policy guidance circular on the south-east which Mr Ridley sent to local authorities in January. It says: "While we recognise the need to reduce the disparities which exist in economic conditions in other parts of the country, it is not our policy to discourage development and economic growth in the south-east in the hope that it will transfer to other areas, for in that way we risk losing it altogether."

Builders argue that they have to build in the south-east because that is where the demand is

The case against Mr Ridley's proposals was argued in the Commons by Berkshire Conservative MPs. Mr John Redwood (Wokingham) warned that the county could become a continuous urban sprawl. Enough was enough. Mr Andrew Mackay, Berkshire East, complained that he and his fellow Tories felt "let down and sore". An additional 2,500 houses had been foisted on his constituency and he was worried about the pressure on roads, schools, hospitals and social services for which the Government had made no extra financial provision.

Many Conservative MPs in the south argue that new development should take place in the north and in inner cities where it is more needed. Mr Redwood argues that over the past ten years the leading conurbations had each lost at least 100,000 population while the south-east had had to absorb 500,000 new people.

Mrs Marion Roe, Under Secretary for the Environment, replies that investment in places such as Berkshire provides a stimulus to the national economy which benefits the whole country, including the inner cities. Even the development of the inner cities, the use of urban land and the reuse of derelict sites could not meet all the housing and development needs of the south-east. Meanwhile the pressures continue to build up. Miss R.B. Haran, Chief Planning Inspector, reports that the number of new planning appeals for England and Wales rose by over 11 per cent to almost 20,000 during 1986/7. This was the the highest number ever recorded and there was no sign of it abating. In these circumstances, large building groups are proposing to develop entirely new "country towns" in the south-east. Countryside Properties has planning permission for 3,500 houses between Harlow and the M11 to cater for the expansion of Stansted Airport. A village of 3,000 houses, a business park and landscaped country park has been proposed near Cambridge by Alfred McAlpine Homes East.

The biggest group, Consortium Developments, representing nine major construction companies, had its proposal for a country town of 15,000 people at Tillingham Hall, near Grays, Essex, rejected by Mr Ridley. He did, however, make it clear that he was not opposed to well-conceived proposals of this kind. Consortion Developments is now pressing on with several other schemes of this type.

Mr Andrew Bennett, executive director of Consortium Developments, puts forward powerful environmental arguments for the concept. He complains that CPRE, having won the battle to protect green belts, is now taking issue with any development in the countryside outside the green belt.

The country towns would act as an safety valve beyond the green belt and are an attractive alternative to scattered developments which would spoil the environment, he says. The consortium would pay for infrastructure such as schools, community and leisure centres and roads. It is, he maintains, a spurious argument that this will pull development away from the inner cities. Both types of development are needed to ease increasing pressures on the countryside in southern England.

Meanwhile the conservationists are girding themselves for what they suspect will be a new stage in the battle – when, in a few months time, Mr Ridley publishes a White Paper on the future of development plans. If he sticks to his proposals in last year's Green Paper it will mean the scaling down of the role of county councils in planning and the replacement of county structure plans by broader policies.

The last Conservative general election manifesto pledged: "We will protect the countryside for its own sake and conserve its wildlife while allowing for those small-scale and well-planned developments which are needed to provide jobs and keep country areas thriving. Wherever possible we want to encourage large-scale developments to take place on unused and neglected land in our towns and cities rather than in the countryside."

Conservationists, and not a few Conservative MPs, are looking to Mr Ridley to keep this pledge.

Trade unions in the UK

Wanted: a giant stride of imaginative leadership

By Geoffrey Goodman and Richard Clements

WHEN Margaret Thatcher took office in 1979 after the "winter of discontent", it was assumed that some watershed had been reached in relations between the trade unions and the Government. Now, almost a decade later, it is commonplace to hear that the Prime Minister's "greatest single achievement" has been to "break the power of the unions." In fact the "power" was a myth even in 1979 but recent industrial events have revived speculation about the scope and shape of a resurgence of trade union influence.

With the inevitable pick-up in the economy (mainly brought about for the purpose of winning the 1987 general election) the unions have set out to examine their future. There are those who suggest that trade unionism as we now know it is obsolete. In fact, the changes brought about by technology and scientific innovation make it still more relevant. These developments will increase in tempo and impose even greater strains on the social fabric. What is needed from the unions now, and especially from their leadership, is a giant stride of imagination. Their recruitment needs to be related to the specific, personal, human problems of all those caught up in the vast industrial changes taking place.

It is probable that the TUC review currently under way will come up with many very sensible answers, but what is much less certain is whether its solutions are going to be relevant to the magnitude of change required. There may for instance be a desire to centralise the organisation, to get back to the old concept of the TUC as a "general staff of labour." It has powerful attractions but enormous drawbacks. For the crying need for the unions is to establish closer and more substantial links with the broad mass of membership, not for remote centralised leadership.

Take as an example the drive for extra membership. There are a great many reasons why this is necessary, not least because of the extra resources which such an increase would bring. But is it the highest priority? Would it not be worth the TUC sacrificing, say, another half million in membership and gaining resources by charging a realistic price for the services unions offer? Would that not give an added impetus to the need to convince the membership which does remain that it should fully support the argument which trade unions can now put forward for a truly modernised and galvanised approach to the collective problems of industry.

The highest priority must be for the unions to close the gap which exists between members and the leadership. The lesson of the past is that the unions, in a time of high employment and easy recruitment, failed to: gather enough resources by charging realistic levels of membership fees; devote enough of existing resources to internal education; create their own machinery to counter the arguments which its opponents made sure dominated media discussion of the unions.

The unions will very soon be able, once again, to become an extremely positive force. But that will only follow from a determined and combined effort to produce the right solutions. Although the growth of managerial power, deliberately encouraged by the Thatcher regime, will bring with it a backlash (a perfect example is the recent Ford dispute), by itself that will not recreate union strength. There are three methods by which the unions can become the creators of the change which is needed:

● By arguing that their main economic objective is to ensure that industry becomes productive and efficient, but that increases in production should not be used solely for rewarding shareholders but also for continued industrial progress (whether that is in rebuilding the public infrastructure or reinvestment in private industry). The Thatcher idea that efficiency comes only from managerial prerogative is demonstrably false. Indeed there are many examples of how management has been the braking force in British industry, unwilling to adopt new methods or reinvest effectively. The unions should welcome change as long as it does not automatically consign their members to unproductive unemployment or to conditions which seriously reduce their standard of life. It would be simple to construct a manifesto for change on these lines which the unions could adopt as their major aim.

● By experimenting with every possible method of participation in their affairs. They must reject (whether it comes from right or left) the idea of mandatory democracy. That equally requires channelling far more resources into the internal education process of the unions. They must be seen to make a virtue out of broader democracy.

● By interlocking the unions' research and information efforts into a public relations effort on a vastly larger scale than anything now undertaken. At the moment many unions provide a considerable amount of vital information about our economy and our society which is never seen by the general public. Part of the reason for this is that public relations efforts by the unions are unco-ordinated and sketchy.

There are those who argue that, for either the Labour Party or the trade unions to succeed in future, there must be a widening division between them. That is a silly argument which fails to recognise the fact that the organic relationship between them is inescapable. The unions need the Labour Party because industrial syndicalism has never had a future and never will in a democratic society. The Labour Party needs the unions because a mature democracy cannot be fully achieved without a broader economic democracy. The relationship between the two bodies has always been most successful when their courses are parallel rather than integrated. There are differences in emphasis which inevitably arise between the two organisations.

The Labour Party is carrying out its own review. Both bodies are conscious that their role must adapt to the social changes taking place in British society, without losing sight of the civilising objectives which must motivate them. The future of the trade union movement is far from bleak; the victories it has to win will be as significant as those won in the past. But first victory will have to be gained over the inertia which has built up within its own structure. That will require huge efforts of imagination and leadership, but both those qualities are available within the movement.

Geoffrey Goodman was formerly industrial editor of the Daily Mirror. Richard Clements, former editor of Tribune, was until recently executive officer in the Leader of the Opposition's office.

Letters to the Editor

Tax-cuts will risk inflation

From Mr Andrew Britton.

Sir, I am afraid Samuel Brittan (March 3) does not allay my concern about the balance of payments deficit. Neither does he deal adequately with the arguments we put forward in February's National Institute of Economic and Social Research Review.

In present circumstances income tax cuts risk adding to inflation, because they make the balance of payments worse, and make it more likely that the exchange rate will fall. One way of preventing this might be to raise interest rates and keep them high relative to world rates for an indefinitely long period. This seems to be Mr Brittan's preferred policy. We think it mistaken and damaging to industry. We also think it will fail, sooner or later, to hold up the exchange rate.

Thus inflation is not avoided, only delayed. If the Chancellor wants to minimise the risk of inflation, he should not cut income tax at all.

Andrew Britton,
*2 Dean Trench Street,
Smith Square,
London SW1.*

The strategy is to achieve simplicity

From Mr Philip Chappell.

Sir, Your leader "Medium Tax Strategy" (March 2) implies that those of us who advocate a simple flat-rate income tax system, with no allowances, perks or reliefs, do so solely in the belief that such a system would be simple and enhance the overall efficiency of the UK economy.

Simplicity and efficiency are virtuous enough in themselves, but ours is a far subtler and more philosophical justification. The fundamental basis of an open, dynamic and democratic society is the dispersal of economic power and patronage; tax systems which are used to influence consumer behaviour and distort choice tend to institutionalise savings (as with pension funds) and minimise personal involvement.

In the UK we believe passionately that one man's tax privilege must, by definition, be another man's tax burden; that millions of individuals independently are more likely to make better decisions than the state collectively; and that we need to restore the ethical duty of personal sacrifice rather than always assume that Governments should accept total responsibility for the disadvantaged and handicapped. We do not deny the need for an ultimate safety net; but its costs should be transparent, not buried in a maze of complex tax systems and cross-subsidisation.

The calculations are simple; the UK Taxable Base is some £300bn, and income taxes on persons, including national insurance contributions, about £54bn. It is easy to calculate that a straight 10 per cent income tax plus an 8 per cent social tax, on all income, could replace income tax and national insurance. All higher rates, and taxes on capital, are abolished: all perks and tax privileges simply wither; the poverty trap is swept aside. Unemployed tax advisers would be the only ones to complain.

The Chancellor's Budget on March 15 will be assessed against his strategy to achieve such simplicity over the third term of this Government. Will he take this opportunity to restore consumer freedom and reduce the feudal paternalism of the "Nanny" state?

Philip Chappell,
22 Frognal Lane, NW3.

SIB's authority has been weakened

From Mr R.N. Philipson-Stow and Mr R.B. Norman.

Sir, As compliance officers in a financial services group we have probably had as much exposure as most to the City's new regulatory regime.

Contrary to what appears to be the general view, we are disturbed by the departure of Sir Kenneth Berrill from the Securities & Investments Board (SIB); an event which seems to have been engineered by a concerted publicity campaign orchestrated by the City "Mafia." Sir Kenneth was given a difficult task which he should properly have been allowed to complete.

We believe that your leader of February 25, which describes the fundamental purpose of the UK's first attempt to provide comprehensive investor protection, and your subsequent leader of February 29, hit the nail on the head; that as a result of the Bank of England's failure to renew Sir Kenneth's appointment the authority of SIB will be seriously weakened, to everybody's detriment.

R.N. Philipson-Stow,
R.B. Norman,
32 St Mary at Hill, EC3.

Assets were seized in 1917

From Mr V.N.U. Wood.

Sir, Your recent reference (February 26) to arrangements for compensation payments for Chinese and Russian debts prompts me to draw attention to a grave injustice which threatens to pass without comment.

It affects the shareholders of a company called Russo-Asiatic Consolidated Ltd., of which my forebear, Leslie Urquhart, was chairman. Its assets were seized by the Bolsheviks in 1917.

These consisted of metal and mineral interests in Russia, including copper, iron and coal mines, related processing plant and machinery, river boats, and much else. Leslie Urquhart, who was on good terms with the pre-revolutionary Russian authorities, had built up the business to the point where it was, in 1917, one of the great mining enterprises in the world – not unlike the present RTZ.

A claim for £56m (about £600m today) in respect of Russo-Asiatic's seized assets was lodged with the Foreign Office in the 1920s. Only with the reparations accord with the Russians, signed in 1986, and the availability of the Compensation Fund, has there been any prospect of redress.

The 1917 seizure led ultimately to the liquidation of Russo-Asiatic in 1963, with its assets exhausted. At that point the official receiver closed the books, and the company's Russian claim passed to the Crown as "bona vacantia."

The position now is that on the one hand the Foreign Compensation Commission is debarred – under the terms of the Government's compensation order – from entertaining any claim from the Crown against the Russian Compensation fund. On the other hand the shareholders of Russo-Asiatic (and their successors in title), by far the biggest British losers of any in 1917, are now prevented by the liquidation itself a direct though not of course immediate result of the revolution – from pressing their claim.

Your readers may be able to share the resentment of all connected with Russo-Asiatic, when they know that Leslie Urquhart gave much of the latter part of his life to the cause of all British citizens who lost property in Russia. For a time he was president of the Association of British Creditors. He was also Lloyd George's adviser on Russian affairs at the 1922 Genoa reparations conference.

The Government should see to it without delay that the Russo-Asiatic claims now vested in the Crown can be presented to the Foreign Compensation Commission; and that any compensation, which will be little enough, is made over to those to whom, in all fairness, it is due.

V.N.U. Wood,
*Baxter Spott House,
Spott,
by Dunbar,
East Lothian, Scotland.*

There are other schemes for companies seeking export finance

From Mr R.A. Pilcher.

Sir, I was both interested and concerned to read the report (March 2) on the introduction by Midland Bank of a revised short-term export finance scheme.

It is stated that this is the first time that finance has been made available to exporters against their own Export Credits Guarantee Department (ECGD) policies (as opposed to policies managed by the banks) – which it is not; and it is suggested also that the new arrangements between the bank and ECGD are tantamount to replacement of the Comprehensive Bankers' Guarantees (CBG) withdrawn by ECGD last October – which they are not.

With regard to the first point, my own company introduced a highly cost effective scheme in 1985 which enables an exporting company not only to manage its own relationship with ECGD but also, if it wishes, to use alternative cover through the private sector and, more recently, policies issued by major European credit insurers. This latter point is vital in terms of the planned completion of the European market by 1992.

With regard to the second point, it is of course important that the bank has gained some comfort for itself in dealing with the processing, on a large scale, of fast moving export transactions. However, the new arrangements falls far short of the protection provided by the abolished CBG.

Finally, reference was made to the banks' disappointment in the take-up of their various schemes. Conversely, we are not; currently we are very actively supporting exporters in some 55 industries, ranging from major public groups to starters in export.

R.A. Pilcher,
*The Export Finance Company,
Exfinco House,
Sanford Street,
Swindon, Wiltshire.*

FINANCIAL TIMES

Monday March 7 1988

Deborah Hargreaves on Wall Street

Defending the options option

"THE SCARIEST thing I've ever done in my life is to try to buy stocks at 3.45pm on Black Monday," laughs Mr Jim McConnon, who is in charge of portfolio management at the RXR Group.

But Mr McConnon managed to complete his order before the market closed, and RXR survived the crash without serious damage to the portfolios it manages.

In fact, with a 17 per cent total return on the stock assets it had under management for last year, Mr McConnon's firm has leaped into the top 2 per cent of US money managers, as computed by SEI, an independent firm.

Mr McConnon's computer models had told him to adjust part of his exposure on Black Monday between bonds and stocks.

He kept the rest of the firm's assets protected by RXR's version of portfolio insurance, which involves naing stock indax options as opposed to the controversial strategies employed by other portfolio insurers in the futures markets.

In the debate that has surrounded portfolio insurance's fall from grace after October's stock market crash, RXR has been outspoken in its belief that options are the only insurance policy worth having.

The sale of futures contracts to protect a portfolio in a sliding market has been partly blamed for helping to push the stock market into its unprecedented plunge in October.

On Black Monday, RXR was in the enviable position of having most of its $300m in assets hedged with put options.

Puts, which are options to sell a stock index futures contract to a specified buyer at a given price, help protect against a volatile market, making an investor secure in a downturn.

It was not just luck that saved the day for RXR. The company, which was formed in 1983 when its chief partners left Merrill Lynch, does what its computer programs tell it to. Mr McConnon, as a "well paid babysitter," presides over RXR's Dynamic Portfolio Management system – its version of portfolio insurance.

In defiance of the mainstream portfolio insurers, led by the West Coast firm of Leland O'Brien Rubenstein (LOR) and using mostly futures for insurance, RXR had long championed options insurance.

In spite of its lack of depth, the options market is attracting a growing band of converts, who watched wbat happened to futures strategies during Black Monday'a nosedive, when no-one would buy the contracts the insurers were selling.

The use of futures to insure a portfolio involves selling stock index futures contracts as a cbeap way to simulate a pnt option, but the strategy relies on finding a buyer for the hnge blocks of futures contracts that have to be moved quickly, particularly in a market downfall.

Using the options market is more expensive tban buying futures, especially in the volatile markets that have followed the crash, but the price risk is limited to the cost of the options premium.

Mr McConnon explains how be bought stock index put options before the crash that entitled him to sell a stock index futures contract by December for $340 (the value of the contract is 500 times the quoted price, or in this case, $170,000).

He exercised the option and sold the futures contract for that price when the market was trading at between $210 and $215.

These put options protect a portfolio on the downside if the market runs the risk of becoming more volatile. But it does not rule out the use of futures as part of the hedge.

Mr McConnon believes a move back to basics will see money managers backing away from the creation of an artificial put option through the futures market.

The LOR school of portfolio insurers, however, dismisses the focus on options as a pure marketing ploy to sell the unpopular concept that portfolio insurance has become.

LOR insists using options alone is not appropriate for the huge portfolios it manages – the company is estimated to have beld half of the pre-crash $60bn to $90bn insurance market – but does not rule them out as part of its hedging procedure or for smaller strategies.

But, "In options you get what you pay for," stresses one convert, Mr Brian Bruce, new products manager at Chicago's Northern Trust bank, wbo manages $535m.

He describes how he backed off from using futures after walking over to the Chicago Mercantile Exchange on Black Monday and "watching an entire pit of people with their hands under their armpits."

Robin Pauley in Geneva examines Pakistan's dilemma in the search for an Afghan solution

Facing an unhappy compromise

THE GENEVA talks aimed at secnring the withdrawal of 115,000 Soviet troops from Afghanistan enter a decisive week today with Pakistan isolated and apparently boxed into a corner over its attempt to link withdrawal with the formation of an interim coalition government in Kabul.

The key question now is whether Pakistan will sign the Geneva withdrawal agreement in the absence of any gestures towards its demands for a broad-based coalition government in Kabul to be linked to the accord.

Mr Zain Noorani, Pakistan's Deputy Foreign Minister, returned to Switzerland last night after flying to Islamabad, capital of Pakistan, for urgent consultations about his dilemma in Geneva.

He stopped briefly en route in Moscow yesterday, raising speculation that he might have had a quick meeting with Mr Yuli Vorontsov, the Soviet Deputy Foreign Minister, in his search for a way to save face when the negotiations resume this morning.

The key question now is whether Pakistan will sign the withdrawal agreement in the absence of any gestures towards its demands for a broad-based coalition government in Kabul to be linked to the accord.

Mr Noorani's position has become more difficult this weekend with mounting pressure in Pakistan for the accords to be signed as soon as possible to get the Soviet troops out of the region.

At a meeting on Saturday of 19 political parties in Islamabad to discuss the crisis, the opposition urged Mr Noorani not to allow anything to delay the signing of the accords and to get the Soviet withdrawal under way, a view shared by many government supporters in Pakistan.

Virtually all the main issues relating to how and when the Soviet withdrawal should take place – after more than eight years of occupation – were agreed in Geneva last week.

This week some odds and ends have to be tied up on issues such as the status of a clause about amnesties and recognition of border designations which, while important, have never been seen as major obstacles.

A more important problem is the differing US and Soviet interpretation of aid to the warring parties in Afghanistan and what the super-powers' guarantor roles entail.

But essentially, the withdrawal accord is in place. The Soviet troops will withdraw 60 days after signing, remove 50 per cent of their troops in the first three months and complete the exit within nine months of starting. A 40-man United Nations observer force, under the command of a Scandinavian, will use helicopters to monitor the withdrawal and will report to each side.

Privately, the Pakistanis are dismayed at the way they have been transformed within a month in the eyes of the world from "the good guys" supporting opponents of a communist outrage, to the "problem" in the way of a solution.

They feel badly let down by their crucial long-time ally, the US. But Pakistan has made some key diplomatic errors, helping to bring this situation upon itself.

The Geneva talks started nearly six years ago. Only Afghanistan and Pakistan, home to more than 3m of the 5m Afghan war refugees, take part.

The talks are indirect, mainly because of Pakistan's refusal to acknowledge the Kabul regime as a legitimate government. It sees it instead as an illegitimate Soviet puppet administration. Mr Diego Cordovez, a UN mediator, shuttles between the two sides.

Although agreement on withdrawal can be reached and signed officially only by Pakistan and Afghanistan, neither they nor Mr Cordovez are the key players. The US and the Soviet Union, with small teams well away from the Geneva talks, make all the key decisions.

This is at the root of the difficulties which make a public capitulation by Pakistan this week virtually the only possible alternative to international condemnation for delaying the Soviet pull-out.

Pakistan fears, with justification, that a Soviet pull-out under present conditions will lead to continued fighting in a civil war which will deter the refugees from returning home and which could ultimately spill across the Afghan-Pakistani border.

The Mujahideen guerrillas, headquartered in Pakistan and the recipients of massive US military aid, are determined to continue fighting against the Kabul Government and not to accept any administration containing communists.

Mr Mikhail Gorbachev, the Soviet leader, announced last month that the Russians would pull out on May 15 if the Geneva withdrawal accords were signed by March 15. This suggested that differences on the withdrawal timetable could be solved quickly, as indeed they were. But it also became clear that Pakistan's demand for an interim government to be in place in Kabul before the Geneva withdrawal accords were signed was unattainable.

Pakistan started looking for compromise positions and arrived in Geneva last week prepared to make a major concession: a commitment to construct a new government "simultaneously with the withdrawal" would have sufficed.

As agreement was quickly reached that the withdrawal should last nine months (with 50 per cent of Soviet troops leaving in the first three months as Pakistan demanded) and the withdrawal should begin 60 days after signing in Geneva, this meant Pakistan was asking for a government to be created over a total of 11 months.

Mr Noorani's team is embittered by the refusal of the Russians to discuss even this. They asked Mr Cordovez to make one last attempt for a gesture from the Soviets on Thursday. The request failed.

Mr Abdul Wakil, the Afghan Foreign Minister, rubbed salt into the Pakistani wounds by announcing in Geneva that as far he was concerned negotiations for withdrawal were complete and the protocols could be signed.

Although Afghanistan also wanted a broader-based government as part of its policy of national reconciliation, it could take a long time and Mr Wakil refused to guarantee it would be in place before the last Soviet soldier left Afghan soil.

Pakistan's two key mistakes have been to return to the Geneva talks last Wednesday unclear about the likely status of the compromise they were planning to offer and, more crucially, not to have put enough pressure on the Mujahideen to include some moderates in their proposed candidates for an interim government.

Whether Pakistan agrees to sign or not makes little difference to the remote chances of peace in Afghanistan. The Geneva talks are not peace talks and the accords to be signed (or not) are not peace accords.

The US, realising this, has stepped up its supplies of weapons – including Stinger missiles – to the Mujahideen, who are estimated to have enough arms stockpiled around the country to continue the war for months, even if external aid ceased.

E Germany arrests 100 in crackdown on dissidents

BY LESLIE COLITT IN EAST BERLIN

EAST GERMANY has arrested more than 100 citizens seeking to emigrate to West Germany, in a sweep by the security forces designed to stop several hundred thousand East Germans repeatedly applying for permission to leave for the West.

The mass arrests in recent days marked the latest phase in a crackdown by the authorities, which led last month to the expulsion from East Germany of more than 20 civil rights supporters.

Other East Germans who openly protested against restrictions on emigration were swiftly given exit visas to get them out of the way.

At least 70 East Berliners, who snbmitted applications to "resettle" in West Germany, were taken into custody, East Germans close to the Protestant cbnrch disclosed. Arrests were also reported at Leipzig, Dresden, Wismar and other East German towns. Among those arrested were people who had been told they would be allowed to emigrate.

The East German newsagency, ADN, denied yesterday there had been widespread arrests, calling the reports "lies and slander," but confirmed that there had been detentions.

Church sources in East Berlin said the authorities had apparently reversed their tactic of expulsions and were now seeking to "intimidate" citizens. Estimates of the number of East Germans seeking to emigrate range from 300,000 to 500,000. The dilemma of Mr Erich Honecker, East Germany's leader, is that, although he allowed a record 1.2m visits to the West last year by East Germans under retirement age, this failed to dampen applications from East Germans seeking to emigrate. They have steadily increased in recent months.

Bishop Lothar Krusche of East Berlin condemned the latest arrests and said the church was considering a resumption of "intervention services" this week. Such services were held twice weekly after the arrests last January of more than 100 civil rights supporters who tried to join an official demonstration in East Berlin. The services were attended by tens of thousands of sympathisers, and also many citizens wishing to emigrate. They were called off by the church, after the East German government agreed to release those arrested.

Mr Honecker and Bishop Werner Leich, chairman of the East German Federation of Protestant Churches, met only last Thursday to discuss the relationship between Church and State, which has been sorely tested in recent months. The meeting took place 10 years after a unique agreement under which the church accepted it would operate within the communist system, while the Government agreed to respect the religious beliefs of East Germans.

Reuter reports from Prague: Hundreds of Czechoslovakians chanted demands for religious freedom on Sunday after about 10,000 people had joined one of the largest Roman Catholic masses celebrated in Prague since communist rule began 40 years ago.

After the mass, more than 1,000 people gathered outside the palace of Cardinal Frantisek Tomasek, the Roman Catholic Primate, chanting: "We want religious freedom."

Moscow protests, Page 3

Speculation mounts over Pirelli plans

By John Wyles in Rome

PIRELLI GROUP managers were involved in an intensive series of board meetings over the weekend in the midst of growing speculation that the Italian company is set to bid for Firestone Tire & Rubber of the US.

Firestone shares were very actively traded on Wall Street in the latter half of last week, closing at just under $50. This compares with the $35-a-share being quoted on February 15, when the US company announced an agreement with which will give the Japanese company 75 per cent control of Firestone's tyre interests for $1.25bn.

Pirelli is steadfastly refusing to comment on the confident Italian press reports that it is preparing a bid for Firestone.

However, when the Firestone-Bridgestone agreement was announced, Pirelli confirmed that it had made "proposals" to Firestone concerning the US company's tyre manufacturing business. It was reported in Italy, without official confirmation, that Pirelli had offered Firestone around $1bn for this business.

Pirelli, the world's fifth largest tyre manufacturer, with a turnover in 1986 of $2.1bn, badly needs a foothold in the US if it is to be a major international force in the 1990s.

UK resists pound pressure

Continued from Page 1

There is clear concern that if the authorities were to "let the pound go" it might shoot up to DM3.20, or higher, and stay there. "That would clearly give rise to concerns about industry's ability to compete," one official said yesterday.

Officials are also concerned that to let the pound go would set a precedent and undermine the authorities' ability in the eyes of the market to support the pound when forces were working in the other direction.

Demand for sterling surged despite last week's trade figures for January which showed a further deterioration in Britain's trade balance and cnrrent account deficit, and a fall in the price of oil.

Some leading securities houses have been recommending to foreign institutional investors a switch from French franc

Angola peace deal offered

Continued from Page 1

ther pro-Soviet nor pro-South African, hnt neutral and non-aligned.

"Wa realise that a future government in Luanda, seen against the tension between East and West, must certainly follow a non-aligned and neutral political attitude. South Africa is prepared to live with that . . . an internal solution is essential which goes together with the withdrawal of foreign forces," Gen Malan said.

The general, a cabinet "hawk" on security matters, has frequently expressed barely disguised contempt for long-running American diplomatic efforts to end the Angolan war.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	[illegible]	[illegible]	Malta	S	[illegible]	[illegible]	Rhodes	S	[illegible]	[illegible]
Algiers	C	7	45	Edinburgh	C	3	[illegible]	Manchester	S	7	45	Rio de J'o	C	[illegible]	[illegible]
Amsterdam	S	6	43	Faro	R	15	[illegible]	Manila	R	[illegible]	[illegible]	Rome	R	13	[illegible]
Athens	R	10	50	Florence	R	13	[illegible]	Melbourne	F	[illegible]	[illegible]	Salzburg	F	2	36
Bahrain	S	18	64	Frankfurt	C	4	39	Mexico City	F	17	63	San Francisco	C	11	[illegible]
Bangkok	S	33	91	Funchal	F	[illegible]	[illegible]	Miami	C	23	73	Seoul	F	1	34
Barcelona	S	14	57	Geneva	C	3	[illegible]	Milan	R	10	50	Singapore	S	[illegible]	[illegible]
Beirut	C	19	[illegible]	Gibraltar	S	[illegible]	61	Montreal	S	-8	18	Stockholm	Sn	1	[illegible]
Belfast	C	7	[illegible]	Glasgow	S	6	43	Moscow	F	[illegible]	[illegible]	Strasbourg	C	2	36
Belgrade	R	6	43	Guernsey	C	3	[illegible]	Munich	C	3	[illegible]	Sydney	C	25	[illegible]
Berlin	Sn	3	37	Helsinki	Sn	-4	[illegible]	Nairobi	C	[illegible]	[illegible]	Taipei	C	[illegible]	[illegible]
Biarritz	C	7	45	H. Kong	S	23	[illegible]	Naples	C	13	[illegible]	Tangier	S	23	[illegible]
Bombay	S	[illegible]	[illegible]	Innsbruck	S	4	39	Nassau	C	[illegible]	[illegible]	Tel Aviv	C	17	[illegible]
Bordeaux	C	[illegible]	[illegible]	Inverness	S	4	39	New Delhi	S	27	[illegible]	Tenerife	C	17	[illegible]
Brussels	C	7	[illegible]	[illegible]	C	27	[illegible]	New York	C	-1	[illegible]	Tokyo	F	11	52
Budapest	C	5	41	Istanbul	S	13	55	Nice	S	13	55	Toronto	F	-5	23
B. Aires	R	26	[illegible]	Jakarta	-	—	—	Nicosia	C	16	61	Tunis	C	16	[illegible]
Cairo	C	17	63	Jersey	F	11	52	Oporto	S	23	[illegible]	Valencia	S	15	59
Cape Town	S	27	81	Jo'burg	F	21	[illegible]	Oslo	C	1	34	Venice	S	9	[illegible]
Caracas	C	27	81	Lima	F	27	81	Paris	C	6	43	Vienna	R	3	37
Casablanca	S	15	59	Lisbon	F	13	55	Peking	S	-2	28	Warsaw	C	2	[illegible]
Chicago	S	-4	25	London	C	9	48	Prague	F	1	34	Washington	F	-1	[illegible]
Cologne	C	3	37	Los Angeles	C	13	[illegible]	Reykjavik	C	3	[illegible]	Zurich	C	1	34
Copenhagen	C	3	37	Luxembourg	C	1	34								
Corfu	C	15	[illegible]	Madrid	S	[illegible]	[illegible]								
Dallas	-	—	—	Majorca	S	13	[illegible]								
Dublin	C	[illegible]	[illegible]	Malaga	S	16	61								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bush wins South Carolina

Continued from Page 1

the South, not to mention Massachusetts in the north and Washington in the west, do suggest that Mr Robertson may not be the potent political force in the South which his supporters have been claiming.

If this proves so, the task of denying Mr Bush the Republican nomination will be harder.

From Mr Bush's perspective the South Carolina result, which he gleefully described as "fantastic" seems to justify his election strategy.

He is presenting himself to Republican voters as the experienced public servant who has stuck loyally by a President who has been particularly popular in the South.

The Vice President is also promising the South's traditionally conservative electorate that he will stay true to the policies which President Reagan has embodied of pushing for lower taxes and maintaining America's military strength.

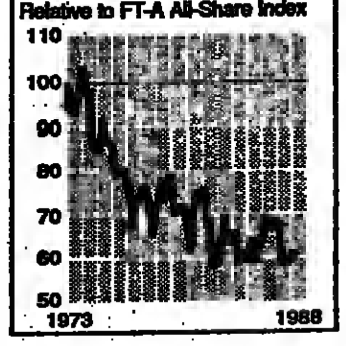
The Democratic Party, which goes to the polls in South Carolina next Saturday, will be holding primaries or caucuses in 20 states on Tuesday.

THE LEX COLUMN

Counting the cost of going global

The world's stock markets may have been recovering over the last few weeks, but the improvement in sentiment has yet to filter through to the share prices of the major brokerage houses. The stock market valuations of firms ranging from Shearson Lehman and First Boston in New York to S.G. Warburg in London reflect worries not only about the short-term effects of the October crash on their business, but also deeper concerns about the continuing viability of their efforts to develop into truly international investment banks.

FT-A Merchant Banks Index
Relative to FT-A All-Share Index



Most Wall Street firms have already revealed the immediate damage caused by the crash and, not surprisingly, those with a relatively high proportion of corporate fee income, such as Morgan Stanley, have done better than firms which are more reliant on trading, such as Salomon. In the UK, the picture has been even more patchy, with the investment banking arms of NatWest and Barclays turning in widely differing losses; while the traditional merchant banks with international aspirations, such as Kleinwort Benson and Morgan Grenfell, are expected to show falls of between a fifth and a third in their 1987 profits.

Fortunately, corporate finance activity has proved remarkably resilient on both sides of the Atlantic, after a brief interlude in the immediate aftermath of the crash. Indeed, the continued buoyancy of incoma from this side of the business should go a long way towards offsetting the impact of lower dealing profits and commissions resulting from the decline in trading volumes and the value of funds under management. Although profitability is unlikely to return to the heady levels seen at the height of last summer's bull market, there is considerable scope for a recovery in profits in the current year, especially since most firms can easily improve their bottom line just by cutting last year's inflated expenses.

Longer term doubts

But while the profits of the world's major investment banks should bounce back in 1988, one of the longer-term consequences of the crash has been to raise doubts about the strategy of the global players. Although there continues to be a widespread belief that a successful international investment bank has to be able to do everything from using its corporate finance skills to originate securities to then distributing and trading them through its brokerage arm, there are signs that the accepted wisdom is starting to be challenged.

At one level, this is the result of the heavy securities losses incurred last October. Not only has this damaged the capital position of some of the more ambitious global players, but for some of the newer entrants, most particularly the commercial banks, it has also highlighted, for the first time, the sheer scale of the risks involved. As a result, the shareholders and parents of many investment banks must be asking themselves whether the accepted rate of long-term return on their investment is commensurate with the real risks involved. This is a question which cannot be avoided for long, given the hefty appetite for new capital in areas such as market-making and increasingly in corporate finance, where the provision of bridging finance is often a necessary quid pro qno for winning lucrative fees.

Thinking again

However, there are a number of other factors which are forcing some of the players to have second thoughts about pursuing their global investment banking strategy with the same vigour as existed before the crash. It is possible, for example, that the great swing towards securitisation of financial products, which has forced many commercial banks into the investment banking arena, may have passed its peak. The liquidity of some of the markets for these new-fangled products has sometimes been found wanting. There are also signs that investment banks which emphasise longer-term relationships rather than the cheapest execution of one-off financing transactions are beginning to reassert themselves. Firms such as Charterhouse and Lazards in the UK, and Dillon Read in the US, remain peculiarly prominent in the corporate advisory league tables, even though they do not boast any sizeable market-making skills.

Finally, despite the impact of the crash, there is ample evidence of continuing excess capacity in the global investment banking arena. The dominance of the Japanese firms in the Eurobond market, where returns are pitifully amall, is the most extreme example. But there are plenty of others, such as the UK gilt-edged market, where the profusion of market makers ensures that returns on capital remain well below acceptable levels.

Too many markets

Already, there are some telltale signs that the trend towards the development of several truly global investment banks is beginning to lose momentum. The recent well-publicised departures of senior corporate finance executives from First Boston and Morgan Grenfell, to set up their own corporate finance boutiques, is a sign of a swing back towards specialist financial firms; this also raises the question of wbether substantial capital backing is as important to doing deals as has sometimes been suggested. Meanwhile, no international investment bank has yet proved that it can successfully master the challenge of establishing a major presence in the world's three great capital markets – Tokyo, New York and London. Over the longer term, Japanese firms, sucb as Nomura and Nikko, wbich have substantial placing power, would seem the best placed to achieve this role. However, they have yet to show that they have the corporate finance skils to match those of Morgan Stanley or S.G. Warburg, say.

By the same token, the latter have nowhere near enough capital to make any real impact on the Tokyo financial market. Even for such successful firms, there is a real dilemma about how they should deploy their scarce capital over the next few years. The dilemma is even more acute for firms, such as Kleinwort Benson and Morgan Grenfell in the UK, which have yet to prove that they can achieve sustained profitability in their domestic markets. The problems for firms such as these, as well as the investment banking arms of the major commercial banks, is that their global ambitions could exceed their capital, if not their capabilities.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday March 7 1988

INTERNATIONAL BONDS

Subordinated issues unsettle syndicate managers

BY CLARE PEARSON

SYNDICATE MANAGERS admit they are nervous. They fear that the appearance of three subordinated Eurobonds last week is likely to signal a flood of such issues, which could quickly overwhelm demand.

Investors think twice before buying subordinated debt since they rank below all other creditors, and superior only to shareholders, in the event of insolvency. If they are banks under the regulation of the Bank of England, investors have particular problems since they have to allocate capital to any holding in a subordinated issue still on their books after three months.

Supply of such bonds is likely to increase because they provide a cheap source of capital not only for banks, who are under pressure to improve their capital ratios, but also for UK building societies who were first allowed to issue them only last month.

Banks and two societies , Nationwide Anglia and Alliance & Leicester, recently uncovered a handy source of demand for subordinated paper in the Japanese leasing companies. (In the UK building societies provide the hulk of loans for home purchases). A number of 10-year private placements, most paying a spread of 50 basis points over London interbank offered rate, have been tucked away in the Far East over the last few months.

But dealers say this source of demand has dried up for the moment. So last week found both Lloyds Bank and Leeds Permanent shopping for 10-year funds in the Eurosterling bond market. They chose the fixed rate sector, rather than the FRN market, because swaps into floating rate funds provided them with cheaper money than the spread of around ½ percentage point over Libor they would have paid on an FRN.

Sterling FRNs are a relatively expensive means of raising subordinated debt since the market is dominated by London-based banks, who fall under the Bank of England's requirements. By contrast, non-bank institutions who buy Eurosterling fixed rate bonds are more comfortable with subordinated issues.

However, before falling into the hands of non-bank investors the issues have to run the gauntlet of the underwriting community. Since London banks in the syndicate group feel about subordinated issues much the way they do about hot potatoes, subordinated bonds tend to fall to steep discounts in the early stages of their lives unless they are handled very carefully.

Lloyds Bank's issue, which was launched at a yield spread of about 80 basis points over gilts, did not look generous enough to overcome the market's qualms. By Friday afternoon this bond had slipped to less 3 bid, against two per cent fees, to yield around 10.55 per cent (or slightly more than 50 basis points over Libor).

Baring Brothers said it had identified clear demand for 10-year Leeds Permanent paper paying 105 basis points over the comparable gilt ahead of the bond's launch, though the market did not see the bond's pricing as strikingly attractive. Tha deal was quoted at less 2 bid on Friday afternoon, to yield 10.69 per cent.

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	6,794.2	0.0	135.0	7,826.2
Prev	3,369.6	79.6	798.0	6,725.2
Other	2,921.8	48.1	363.8	655.2
Prev	1,722.7	1.8	831.1	459.4

Secondary Market

US$	26,013.8	2,016.0	5,944.4	6,913.1
Prev	20,223.1	1,829.0	7,042.4	6,279.6
Other	21,512.3	1,015.8	3,750.0	23,857.7
Prev	19,970.7	625.9	4,654.4	21,024.9

	Cedel	Euroclear	Total
US$	17,899.1	37,743.6	55,642.7
Prev	13,711.0	32,635.5	46,346.5
Other	25,273.4	28,851.3	54,124.7
Prev	22,415.8	26,875.1	49,290.9

Week to March 3, 1988 — Source: AIBD

But if demand for subordinated bonds is weak in the Eurosterling market at the moment, borrowers should perhaps look to the Australian dollar market. The Union Bank of Norway's A$50m bond found a strong response when it was launched on Friday.

In one sense, accessing the Aussie market for subordinated paper is the perfect arbitrage. Continental retail investors rarely think twice when proffered a bond with a coupon higher than 13 per cent. Meanwhile, through the swap market the borrower can transform the proceeds into dollar floating funds

However, some dealers were concerned that the small West German and other European investors who make up the bulk of the buyers of A$ paper might not fully understand that they were not buying Union Bank of Norway's senior debt.

Meanwhile, Halifax Building Society was in the market for senior debt with a new form of instrument: the variable rate note.

This resembles a floating rate note in that it has a final maturity after five years, but is more akin to a short-term instrument in that investors are invited to submit competitive bids for paper on a quarterly basis. Each customer is asked to submit his sell, hold, or buy order on the basis of an interest rate spread above or below Libor.

If he is successful, this spread will be applicable to his own holding.

The Halifax is expecting that its overall interest payment,determined via these auctions, will work out at less than the 20 basis points or more it would pay over Libor on a straight FRN issue.

The investor has to assess what he will charge the society for what is essentially a three-month instrument which carries a slight risk that it will turn out to be longer-dated, if the sell order cannot be matched with a bid.

The upper limit on the interest rate margin investors may ask for is Libor plus 50 basis points, and the same rate will be applied to the holding of any investor who tries but fails to sell paper at the auction. But though the spread is handsome, it still might not suit a non-bank seller who finds himself short of cash.

On Friday, one investor at an international bank said that if he were bidding for the Halifax's paper as an alternative to buying a sterling FRN he would ask for a spread of about ⅜ point over Libor.

This implied a three basis point pick-up over the yield provided on an existing five-year FRN for the society, to cover the risk of not being able to liquidate.

Sweden finds way to broaden appeal of new $1bn CP

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

SWEDISH EXPORT Credit, Sweden's government trade finance concern, thinks it has found a way to hroaden the investor appeal of its new $1bn Eurocommercial paper programme, which could eventually become a regular feature of the market.

The market's rapid growth last year was fuelled in part hy investors who did not want exposure to the weakening US dollar, and nsed the forward foreign exchange market to hedge that risk. As much as 25 per cent of commercial paper is now issued on a hedged basis, dealers estimate. This involves two contracts and three parties: tha issuer, investor and the counterparty for the swap in the foreign exchange market. The complications of unwinding all this meant that investors effectively regarded the paper as locked up until maturity, and some were, as a result, put off.

The new idea, designed by SEK and Bankers Trust, a dealer on its programme, attempts to address the problem by rolling both contracts into one. The precise details of how it is to be done are being kept under wraps for now, but in essence it will simplify the process of buying hedged paper and allow investors to sell the package quickly before maturity.

Mr Peter Livijn, associate director in SEK's treasury department, says he thinks its simplicity will ensure the idea is taken on board by others in the $55bn market. The new-found liquidity for such paper will help to widen the investor base.

Elsewhere, Chase Manhattan has started syndication of a two-part financing to support tha export of gas turbines by GEC Turbine Generators of the UK to the Huaneng International Power Development Corporation of China.

In the first part, the Bank of China borrows £171.7m, over a 20-year maturity with a 7½-year grace period, under an Export Credits Guarantee Department guarantee.

HIPDC itself is the borrower for the second part, initially $25m but rising to $27.75m with capitalised interest. Repayments start in the 42nd month for the six-year deal. Details of the terms have not been disclosed.

Still with project finance, French banks are submitting bids to provide FFr12bn to help construct Euro-Disneyland, the new Disney venture just outside Paris.

Terms emerged for a £150m, five-year revolving credit for the Cheltenham and Gloucester Building Society through Banque Paribas (London). The margin is 22½ basis points over Libor, but banks will be expected to absorb the first 6¼ of reserve asset costs.

There is a commitment fee of 10 basis points on the unutilised portion if drawn by 40 per cent or less, and of 5 basis points if more than 40 per cent drawn.

Bankers said the pricing, and the fact that the deal has been underwritten by six banks, suggested some lessons had been learnt from the very slow progress of a £200m facility, launched in January, for the Leeds and Permanent Building Society.

Bank of America International has been mandated to raise £75m over five years for City & Provincial, the house finance subsidiary of the NEL Britannia Group.

The financing, secured by mortgages and a buyback guarantee by NEL Assurance of mortgages more than three months in arrears, carries a 87½ basis point margin. Front-end fees start at 10 basis points for a £7.5m commitment.

Lone Star Steel, Dallas-based tubular steel goods subsidiary of Lone Star Technology, is raising $75m over three years through Credit Suisse First Boston. There is a margin of ¼ percentage points over Libor, a commitment fee of 30 basis points, and a participation fee of 20 basis points for $20m.

Several deals were increased following sucessful syndication, including two for Swedish borrowers. Modo, the paper maker, was doubled to $200m, while that for Aga was increased by $50m to $250m. A multiple option facility for John Laing, the UK construction group, was raised from £50m to £65m. A US commercial paper letter of credit facility for Lucky Goldstar of South Korea was raised to $45m from $30m.

Kongsberg creditors to receive 42% of outstanding loans

BY KAREN FOSSLI IN OSLO

A GROUP of 33 foreign hank creditors with outstanding loans totalling about $240m to Kongsberg Vaapenfabrikk, Norway's dismantled arms maker, are to receive a settlement of 42.5 per cent of what they are owed, according to a government-appointed committee.

The settlement is expected to be resolved by mid-June although it will take at least 40 per cent approval by the creditors to gain acceptance.

However, the settlement also sees scope for additional repayment in the range of 5 to 10 per cent by end-1988 or early-1989 because sales of assets of the company brought in more revenne than originally estimated and because some claims have been rejected by the committee.

The KV affair has seen the near bankruptcy of the company and an export scandal involving the Soviet Union.

After being in loss for nine years, KV failed last May to win further government funding which it needed to service its debt on a series of outstanding loans to domestic and foreign banks.

KV's board, which voted against bankruptcy for the company, implemented instead a "composition" solution which forced creditors to write off part of the debt and settle for partial repayment.

However, the terms of the debt settlement emerged more positive than creditors' original estimates of repayment in the range of 30 to 40 per cent.

In a report made by the composition committee KV's board of directors were heavily criticised for their assessment of the depth of company's financial problems.

B & D lifts bid for American Standard

BY JAMES BUCHAN IN NEW YORK

BLACK & DECKER, the US maker of domestic power tools, has increased its bid for American Standard, the building products manufacturer,to $73 a share, or $2.28bn.

Black & Decker, which has steadily increased its offer since bidding $56 a share at the end of January, announced its new price on Friday in response to a rejection hy American Standard's board of its $68 a share offer.

American Standard said earlier in the day that it would go deeply into debt to finance a bold recapitalisation plan, which would give stockholders $64 a share in cash and a low-grade bond worth $5.

The plumbing and air conditioning group said the improved plan - which was to be financed with bank debt, junk bonds and a surplus in the company's pension plan - was "financially superior" to Black & Decker's old offer.

American Standard's stock rose $3⅞ to $72½ in response

●MCA, the California based film prodnction group, said Mr Donald Trump, the New York property developer, had received Federal Trade Commission approval under the Hart-Scott-Rodino Act to buy up to 24.9 per cent of its stock, Reuter reports from Universal City.

Last month, MCA disclosed that Mr Trump owned about ½ per cent of its shares. On Friday MCA shares closed down $1/2 at $44¾ in New York Stock Exchange trading before the Trump announcement was made.

UK GILTS

Eyes on Lawson for sense of direction

THE GILT-EDGED securities market is stuck in a narrow trading range and all the indications suggest it is likely to stay there until next week's Budget provides the sense of direction now lacking.

For the past two weeks or so the market, at its best, has been prepared to see yields for longer-dated securities fall in around 9.20 per cent. At its worst, yields have risen to around 9.30 per cent.

According to those who follow charts, the market is poised at a critical turning point. Any decisive move out of the current trading range could see yields fall to a low of 8.5 per cent or a high of 10 per cent.

The "confluence of the spheres" suggest the Budget and its aftermath may just mark this turning point.

It is generally conceded that the market is currently supported by an extremely positive technical position – that is, little need to issue gilts because of the outlook for the public sector borrowing requirement – but is faced with an equally uncertain economic background. Hence the importance of the Budget.

Mr Lawson has only one chance a year to get the Budget right and this year, more than most, the market is on tenter hooks.

The events of last week, however, demonstrated once again the extent to which government policy is finely balanced. The truly awful trade figures underlined, if perhaps overstated, the bearish outlook for UK trade and current accounts.

Paradoxically, the need for the Bank of England to sell sterling in the foreign exchanges to cap the pound at DM3 threw into high relief the authorities' interest rate/exchange rate dilemma.

The Government's twin policy aims of restricting growth in credit demand while pursuing exchange rate stability is increasingly becoming unworkable. Only one of the variables can be controlled, not both.

This is well understood in the Bank, which admits that attempting to control credit, especially personal sector credit, through discreet ½ point movements in base rates does not work.

The Bank would like base rates higher, but the failure of the market to sell sterling in the face of last Monday's bad trade numbers and a declining oil price robbed it of a possible opportunity in raise rates before the Budget. Its exchange rate policy is, perversely, working too well.

It has so forcefully enunciated its objectives – policy is symmetrical, DM3 is the top and the bottom is not far below – that for most foreign investors sterling is seen as a one-way bet.

The interest rate differentials, especially those with the German markets, have made the pound a de facto D-Mark, and therefore investment in sterling instruments money for jam.

Only when the dollar is sidelined, as it has been for the last week and possibly this week, does the Bank have to work to keep sterling from breaking out above DM3.

But the longer periods of relative calm have been overshadowed by the shorter but more costly periods of activity. To date the cost, in terms of the need to sterilise M3, has been more than £10bn.

On Friday alone, the Bank had to issue nearly £1bn in its successful attempt to keep the pound from breaching the DM3 ceiling. With the outlook for funding so bullish, the Bank would appear to have little difficulty in sterilising the effects on the money supply of this intervention through sales of gilts. But is this the way to run a monetary policy?

At best its activities are a success of a qualified sort. The argument for maintaining current policy is that it affords industrialists a degree of certainty when planning future business deals.

To let the pound go could see it rise to DM3.20 only to fall to DM2.80. In addition, by maintaining the pound at a near fixed-rate against the D-Mark through time gives an anti-inflationary bias to exchange rate policy.

However, the Bank's large-scale intervention is costly in terms of domestic monetary policy – it has short-run destabilising effects on the monetary aggregates and leads to the long-term funding of what could be only short-term capital flows.

The view in foreign exchange markets is that sterling could easily rise by 10 in 20 pfennigs if the Government relaxes its policy. This would certainly confirm the anti-inflationary signal the Bank has been sending.

Simon Holberton

US MONEY AND CREDIT

Jobs boom boosts economic forecasts

NEWS OF a startling surge in job creation last month broke on an unsuspecting Wall Street on Friday, driving down bond prices by two points and banishing any lingering fears of an economic slowdown in the first half of this year.

The addition of 513,000 people to US payrolls, two-and-a-half times the number forecast, also did wonders for employment practices in financial districts. The air seemed alive with the clatter of computer and calculator keys as economists hastily upgraded their forecasts of US economic growth rates.

Although the job data were probably too good to believe and suspicious aspects were quickly identified, there was no arguing with the upward trend. "This is a major shift in bond market psychology," said Mr David Jones, chief economist of Aubrey G. Lanston.

Given that some economists had begun the year with forecasts of negative first-quarter growth, Mr Jones had been relatively cheerful to suggest that a huge build up in inventories would only drag growth down to a 0.5 per cent annual rate for the period. After subsequently raising his estimate several times, he pushed it up to 2 per cent on Friday.

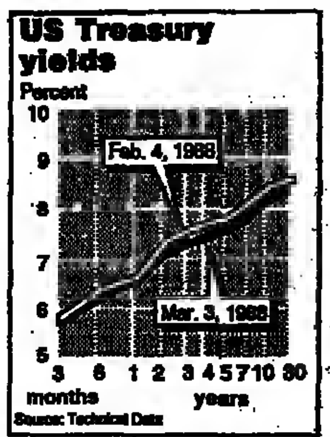
Earlier indications of strength had come from good February car sales and January's factory orders. The former were particularly important because cars had accounted for a large part of the alarming build-up in inventories in the fourth quarter.

Detroit has had to offer costly buying incentives but at least stocks are being whittled down to the point that General Motors for one was able to announce last week an increase in production.

The recent trend has encouraged Mr Mickey Levey, chief economist of First Fidelity Bancorporation, in lift his first-quarter growth forecast to 2.5 per cent from 1.5 per cent while maintaining his 2.5 per cent rate for the second half. Considering economic and market events last autumn, "its a phenomenal performance. Europeans could be envious," he said.

But stronger growth also means that the Federal Reserve Board "will go out of its way not to change its policy," Mr Levey added. The 0.15 per cent jump in yields on Friday showed that most investors had given up hope for now that the next move in interest rates might be down as the economy softened.

Yet, the upward shift only brought Wall Street in line with a more optimistic Fed. In his mid-year report to Congress late last month, Mr Alan Greenspan, the Fed's chairman, said he was expecting the economy to grow between 2 per cent and 2.5 per cent this year in real terms. Did he know something Wall Street did not until Friday?



Perhaps he had analysed those fourth-quarter inventory figures more closely than the market, suggested Mr Jones. After all, he had built his reputation on his deep understanding of the nitty gritty of the manufacturing sector. "He's a very good inventories man."

The employment figures left many economists puzzled, though, about the true level of job creation. Clear candidates for subsequent downward revision were the 100,000 newly employed people in construction and 110,000 in retailing.

The former were probably skewed by a return to building sites after bad weather in January, since the overall picture for construction is weak. Sales of new single family homes, for example, fell in January by 9 per cent to their lowest level since 1982.

A big jump in retailing employment is a mystery since department stores reported weak to lower sales in February. Mr Bob Brusca, chief economist of Nomura Securities in New York, argued that employment levels were in fact a lagging economic indicator. Most people were hired once the work was clearly identified rather than in anticipation of more business.

February's figures had several less encouraging elements, such as a negligible increase in weekly factory earnings. The creation of 513,000 jobs "doesn't mean the economy is all that healthy."

Although the employment figures showed that the economy was expanding, the markets got a more pessimistic longer-term reading of prospects on Tuesday from January's index of Leading Economic Indicators.

The index slipped 0.6 per cent, against forecasts of 0.4 per cent, but nobody seemed particularly worried. On the positive side, the December level was revised to a 0.3 per cent gain from a 0.2 per cent fall, breaking the pattern of four consecutive falling months, which is considered by some as a sign of impending recession.

"Four months in a row is a stupid rule," said Mr Brusca. "You need in look for a cumulative decline of say 5 per cent over six months. We're only down six-tenths of 1 per cent over the last six months."

* * * * *

The big increase in the number of people employed is likely to have a knock on effect which will show up in other economic statistics for February in coming weeks. The first evidence will come this Friday with the release of February's retail sales figures.

Money Market Services of Redwood City, California, says a 0.7 per cent growth in sales in February is the consensus forecast of 51 economists it surveyed, with strong car sales an important factor. Their estimates range widely from growth of 0.1 per cent to 1.8 per cent. Retail sales had grown by 0.5 per cent in January and 1.2 per cent in December.

The only other key figure due out this week is February's producer price index, also on Friday. A rise of 0.3 per cent is the consensus forecast, with estimates ranging from no increase to a gain of 0.5 per cent. The index had risen by 0.4 per cent in January after falling 0.4 per cent in December.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.46	6.60	6.62	7.78	5.98
Three-month Treasury bills	5.72	5.66	5.62	7.17	5.03
Six-month Treasury bills	5.97	5.77	5.92	7.45	5.30
Three-month prime CDs	6.59	6.65	6.57	8.28	5.88
30-day Commercial Paper	6.55	6.50	6.48	7.62	5.75
90-day Commercial Paper	6.67	6.55	6.50	8.85	5.65

US BOND PRICES AND YIELDS (%)

	Last Price	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New 10-year "A" Financial	n/a	n/a	[illegible]	[illegible]	[illegible]
New "AA" Long utility	n/a	n/a	[illegible]	[illegible]	[illegible]
New "AA" Long industrial	n/a	n/a	[illegible]	[illegible]	[illegible]

Money supply: In the week ended February 22, M1 rose by $2.9bn to $762.1bn.

NRI TOKYO BOND INDEX

December 1983 = 100	3/3/88	Average yield (%)†	Last week	12 wks ago	26 wks ago
Overall	142.76	4.39	142.59	139.44	134.41
Government Bonds	143.58	4.06	143.81	140.16	134.59
Municipal Bonds	144.53	4.76	143.99	140.38	133.89
Govt.-guaranteed Bonds	146.79	4.74	145.39	141.24	134.69
Bank Debentures	136.89	4.26	136.71	134.57	132.15
Corporate Bonds	142.12	5.52	141.86	138.83	133.80
Yen-denom. Foreign Bonds	142.42	6.44	142.24	139.59	138.76
Government 10-year†	4.88	–	4.90	5.26	5.69

Source: Nomura Research Institute. † Estimated per yield

Bank issue ends long German lull

DEUTSCHE Genossenschaftsbank (DG Bank) has broken a five-month lull in West Germany with the country's first new equity flotation since October's stock market crash - the sale of a 24.9 per cent stake in Deutsche Verkehrs-Kredit-Bank (DVKB).

The deal, which is being co-led by Dresdner Bank, also marks a further step in the Bonn Government's privatisation programme. That has been delayed since last year's foreign exchange scandal at Volkswagen, and the subsequent collapse in share prices.

DVKB is the in-house bank of the Bundesbahn, the federal railway system, and has 14 branches and 52 foreign exchange offices in principal German railway stations. The Frankfurt-based bank had total assets of DM5.2bn ($3.07bn) in 1986.

The price for the issue, involving 373,500 shares, will not be set until March 11. However, analysts expect an issue price of between DM150 and DM160 a share, resulting in the deal raising around DM58m.

The issue will be placed between March 16 and 18. About 75,000 shares are being sold to an unnamed long-term institutional investor, while a further 186,000 are being reserved for DVKB and Bundesbahn employees.

Haig Simonian

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg on week	Yield
ABN BANK 8½ 91	150	100¼		0	8.28
AETNA LIFE & CAS 7¾ 16	200	97¼		+¼	7.97
AHPC O/S FIN. 11½ 94	100	100¼		–¼	11.48
A.I.D.C. 11 89	75	102¼		0	8.22
ALBERTA 7¾ 91	750	97¼		–¼	8.13
ALCOA AUSTRALIA 11 92	80	102¼		0	10.35
AUSTRALIA 11½ 90	100	106		–¼	8.35
AUSTRALIA 11½ 00	100	110¾		–¼	9.68
AUSTRIA 7¾ 97	200	98¾		–¼	9.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Name	Issued	Bid	Offer	Chg on week	Yield
SASKATCHEWAN 8½ 91	150	101		–¼	8.11
SASKATCHEWAN 11½ 89	100	105½		0	8.22
SASKATCHEWAN 15 92	150	122½		+¼	8.64
SEARS O/S FIN. 0 98	500	36¾		–¼	9.33
SEARS O/S FIN. 11¾ 91	150	109¼		–¼	9.42
SEARS ROEBUCK 8¼ 90	100	101¼		–¼	7.99
SEC.PACIFIC O/S 10¼ 88	100	100¼		–¼	8.55
SHELL CANADA 14¼ 92	125	108		0	11.81
SHELL OIL 9½ 90	250	101¼		–¼	8.74
STATE BK STH AUST 9¼ 95	100	101¾		–¼	8.76
STATE EL VICTORIA 10 92	200	104¾		0	8.68
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Name	Issued	Bid	Offer	Chg on week	Yield
EUROFIMA 6½ 95	15.0BN	106¼		0	5.46
EUROFIMA 6¼ 92	10.0BN	102¼		0	5.90
F.N.M.A. 6¾ 92	50.0BN	107½		–¼	4.75
GMAC 6½ 90	25.0BN	103¼		–¼	4.50
IBM CREDIT CORP 5¼ 91	18.0BN	103		–¼	4.66
ITT 6¼ 92	20.0BN	106		–¼	5.03
MCDONALDS CORP 6½ 92	25.0BN	106¼		–¼	4.70
NEW ZEALAND 7¼ 90	15.0BN	107¼		+¼	4.05
NEW ZEALAND 7¼ 89	15.0BN	104¼		+¼	4.30
PENNEY J.C. 6¼ 92	26.0BN	108¾		–¼	5.06
PHILIP MORRIS 6¼ 91	20.0BN	104¾		0	4.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex.yld = exercise yield at current warrant price. Closing prices on MARCH 4

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Philippe Maystadt: appeal to takeover rivals

Government plea on La Générale

BELGIUM'S caretaker Government has urged Mr Carlo De Benedetti, the Italian entrepreneur, and his rivals to end a fierce battle for control of Société Générale de Belgique, the country's biggest company, and negotiate a strategy for its future, Reuter reports from Brussels.

In a letter to protagonists in the six-week struggle, Mr Philippe Maystadt, Economic Affairs Minister, said the Government would take action needed to protect Belgium's strategic interests.

The appeal was the Government's first direct intervention in the fight for La Générale, which dominates the energy sector and other key areas of the economy.

It coincided with a stinging attack by Mr René Lamy, La Générale's embattled governor, on what he called Belgium's disorganisation and lack of national political leadership.

"The tragedy of La Générale de Belgique is (representative of) Belgium's decay," he told a Brussels newspaper. Belgium has been without a full-fledged Government since the centre-right coalition of Mr Wilfried Martens, Prime Minister, collapsed last October.

The letter appeared to reflect growing impatience in the Government at the failure of the rival groups fighting for control of La Générale to start serious negotiations, despite calls for talks by people in both camps.

Mr Maystadt said Mr De Benedetti and Suez, the French financial group which leads the rival alliance of companies, were both needed to get an accord on an industrial development strategy for La Générale backed by a big majority of shareholders.

The Government wanted Belgian partners in both camps to be given an important role in the proposed talks, Mr Maystadt added.

Statoil to gain divisions in reshape

BY KAREN FOSSLI IN OSLO

STATOIL, Norway's state oil company, plans a radical restructuring under which three divisions – exploration and production, marketing and refining, and petrochemicals – will be established within a fully-integrated company.

Mr Jan Erik Langangen, board chairman, said the reorganisation was to be modelled on the structure of other large international oil companies. He said Statoil had 11,000 employees within six divisions.

The company's fledgling board of directors, appointed at the end of November, has been re-examining Statoil's structure following revelations of a large budget overshoot on the NKr6.4bn ($1bn) Mongstad refinery and terminal expansion.

This led to the resignation of Mr Arve Johnsen, the company's autocratic leader for 15 years, and the previous board.

Statoil has been accused of covering up figures relating to the project when it reported on its status to the board of directors and government officials. The new board has written to Mr Arne Oeien, Norway's Oil Minister, advising him that it is to examine the system of reporting between the minister and the board.

The reorganisation proposals would give the three divisions full responsibility for their own balance sheet and activities to define more clearly the flow of capital. However, there could be changes by politicians before they are implemented.

A white paper on Statoil's reshape is likely to be presented to the Storting (parliament) by Mr Oeien for a vote this autumn.

Mr Oeien said: "My guess is that we will not see too many deviations from the board's proposal.

"We could see, however, separate, legal entities under one corporate roof. But I cannot say for sure that there will be no deviations from the board's proposal."

Separately, Statoil said it had decided to postpone plans to expand polypropylene output in collaboration with US-based Himont, a world leader in petrochemical production.

The Norwegian group said it could not meet the target date of March 31 set by Himont for affirmation of its participation in three petrochemical projects totalling NKr600m.

Statoil said information on the market for petrochemicals suggested that profit margins in the project were not at a level which it considered desirable.

Printemps bids for La Redoute

BY GEORGE GRAHAM IN PARIS

AU PRINTEMPS, the French department store group, has announced a limited bid for La Redoute, the mail order specialist, aimed at taking its stake in the company to 50.01 per cent.

The bid, whose terms have not yet been disclosed, is viewed as friendly by La Redoute. Printemps has been the company's major shareholder since December, when it increased its holding to 32.09 per cent, and has four seats on La Redoute's board.

The Pollet family, which founded La Redoute, has gradually reduced its stake but is expected to retain the 12 per cent it now controls. Société Générale, the recently privatised bank, owns nearly 15 per cent of La Redoute.

Mr Patrick Pollet, La Redoute's chairman, said the deal would give his company a stable ownership. The Printemps/La Redoute group, he said, and Carrefour, the hypermarket chain, were the only two French distribution groups capable of competing with the British and German chains on a European scale.

Besides its flagship stores in Boulevard Haussmann in Paris and a chain of other department stores under its own name, Printemps owns the Prisunic supermarket chain. It has also built up a 44 per cent stake in the Euromarché hypermarkets group, has substantial specialist clothes retailing interests and has developed its wholesaling activities.

At Friday's price of FFr2,180 a share – down 40 per cent from last year's peak – La Redoute is capitalised at around FFr2.8bn ($490m).

Declining exports leave Heineken earnings flat

BY OUR FINANCIAL STAFF

HEINEKEN, THE Dutch brewer, reported flat earnings for 1987 as net profits inched up to Fl 286.7m ($151.6m) from Fl 285.3m in 1986. Earnings per share edged higher to Fl 11.16 from Fl 11.11 the previous year.

The sluggish profit development in 1987 was in large part attributable to the negative effects of declining exports and losses on the translation of foreign currency revenues to the strong guilder.

Even so, the results were better than analysts' previous projections.

Because the US is one of Heineken's leading export markets, the depressed dollar was an important factor. Analysts also noted that Heineken's share of the US import market was hurt by market advances made by beer brands from other countries, as well as by competing Dutch brands such as Grölsch.

Heineken noted that most of its operating units had higher sales last year. But in guilder terms, worldwide sales crept up to Fl 8.68bn from Fl 6.66bn a year earlier.

The company is maintaining its annual dividend for 1987 at the year-earlier level of Fl 3.50 a share.

Next year, Mr Alfred Heineken, the last member of the founding family still in the business, will step down. This has led to some speculation that the Heineken family, which holds more than half the group's stock, may sell off some of its shares.

"Freddy" Heineken has headed the company since the early 1970s.

Dome takeover 'urgent' after C$401m loss

By Robert Gibbens in Montreal

DOME PETROLEUM'S financial position has deteriorated further because of persistent low oil and gas prices, and the conclusion this spring of the US$5.2bn takeover by Amoco Petroleum Canada is urgent, Mr Howard Macdonald, chairman of the Canadian energy group, said.

Dome posted an operating net loss of C$401m (US$320.8m) for 1987, against a deficit of C$2.19bn in 1986. Oil and gas properties were written down by C$346m last year, against C$2bn in 1986.

After a special gain of C$88m, Dome's final loss for 1987 was C$318m or 96 cents a share, against a loss equalling C$6.94 a share in 1986.

Revennes in 1987 were C$1.48bn, against C$1.54bn the previous year.

Boliden boosts earnings at Trelleborg

By Sara Webb in Stockholm

TRELLEBORG, the Swedish industrial group with interests in rubber and plastics, reported a strong increase in profits and sales last year due almost entirely to its acquisition in 1987 of Boliden, the Swedish metals and mining, chemicals and trading concern.

Group profits, before extraordinary items and tax and after minority shares, totalled SKr895m ($149.4m) in 1987, compared with SKr304m in 1986. The board proposed increasing the dividend from SKr2 to SKr4.

Mr Rune Andersson, managing director, said that of the SKr895m profit, the traditional Trelleborg rubber and plastics operations accounted for about SKr300m while Boliden brought in about SKr600m.

Similarly, when looking at group sales, which increased from SKr2.84bn in 1986 to SKr17.22bn last year, Boliden contributed SKr13.5bn and Trelleborg SKr3.7bn.

Mr Andersson said the flat profits for the traditional rubber and plastics operations resulted from the poor order intake at the start of 1987 and the price freeze in Sweden.

This effectively prevented Trelleborg from increasing its product prices in the domestic market as costs rose.

Order intake picked up in the last eight months of 1987 and the current year has started with a better order backlog. The group is forecasting a 35 per cent increase in profit to SKr1.2bn for 1988.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Taiyo Sanso‡♦	50	1993	5	4¾	100	Yamaichi Int.(Eur)	4.750
Nippon Sanso‡♦	100	1993	5	4½	100	Yamaichi Int.(Eur)	4.500
Kinki Sogo Bank§♦	50	2003	15	2⅞	100	Nomura Int.	2.875
Oji Paper Co.‡♦	250	1993	5	4⅜	100	Nomura Int.	4.375
Tokyo Tourist Corp.‡♦	40	1993	5	4½	100	Yamaichi Int.(Eur)	4.500
IBM Credit Corp.♦	250	1991	3	7¾	101.30	CSFB	7.252
Volvo♦	110	1990	2	7¾	101⅛	Merrill Lynch	7.127
Credit National♦	200	1993	5	8¼	101½	Nomura Int.	7.876
Fighter II (e)‡♦	70	1991	3	23bp	108.10	New Japan Secs.	-
Int. Finance Corp.♦	150	1993	5	8¼	101⅜	CSFB	7.906
Asahi Breweries‡	300	1993	5	(4¾)	100	Nomura Int.	★
CANADIAN DOLLARS							
Ford Credit Canada♦	75	1993	5	9¾	101⅝	Deutsche Bk Cap.Mkts	9.329
State Bk Sth Australia♦	75	1995	7	10	101⅞	Deutsche Bk Cap.Mkts	9.620
AUSTRALIAN DOLLARS							
Thomson-Brandt Int.♦	75	1991	3	12⅞	101½	Westpac Banking	12.248
Union Bk of Norway♦	50	1993	5	13⅛	101⅞	WestLB	12.597
D-MARKS							
Coca-Cola Co.♦	250	1998	10	5¾	100½	SBC (Deutschland)	5.683
Dresdner Finance♦	250	1993	5	4	97	Dresdner Bank	4.687
Dresdner Finance♦	250	1993	5	5	100½	Dresdner Bank	4.885
Nat.Bank of Hungary♦	200	1995	7	6¼	100	DG Bank	6.250
Hoogovens♦	150	1998	10	6⅜	99¾	Deutsche Bank	6.410
Helaba Luxembourg♦	100	1995	7	5½	100½	Hessische Landesbk	5.412
Eurofima♦	150	1998	10	5¾	100¼	Deutsche Bank	5.716
Enso-Gutzeit♦	200	1993	5	5	100½	Commerzbank	4.885
Central Bk of Turkey♦	300	1995	7	6¾	100	Commerzbank	6.750
Avon Capital Corp.♦	170	1998	10	6⅛	100½	J.P. Morgan	6.057
Commerzbank Int.♦	300	1993	5	5	100½	Commerzbank	4.885
SWISS FRANCS							
St.Genevieve Res.(a)§♦	50	1993	-	5⅝	100	Bqe Indosuez(Suisse)	5.704
Asahi Denka Kogyo★★§♦	65	1993	-	¾	100	SBC	0.750
Tokyo Juki Ind.Co.★★‡♦	60	1993	-	1⅞	100	Credit Suisse	1.875
Sumitomo Rubber★★§	120	1993	-	(1⅞)	100	Credit Suisse	★
Hisamitsu Pharm.★★‡♦	30	1993	-	1⅞	100	SBC	1.875
Hisamitsu Pharm.★★§♦	90	1993	-	¾	100	SBC	0.750
Towa Co.★★‡♦	20	1993	-	2	100	Royal Trust Bank	2.000
Teikoku Kaku Co.§★★	50	1993	-	(1)	100	Credit Suisse	★
BMW Finance♦	150	2013	-	5	101	SBC	4.930
EIB★★♦	100	1992	-	4	101¼	Credit Suisse	3.658
Mitsui Tst & Banking§	100	1993	-	(⅞)	100	Credit Suisse	★
Mitsui Tst & Banking§★★	100	1993	-	(⅞)	100	Credit Suisse	★
Hidroel.Ib.Iberduero♦	70	1996	-	4¾	100¼	Handelsbank N'West	4.712
Hidroel.Ib.Iberduero♦	70	1990	-	5	100¾	Handelsbank N'West	4.903
Takarabune Conf.★★‡	40	1993	-	(2¼)	(100)	Handelsbank N'West	★
Naturgas Midt Nord★★♦	50	1993	-	4⅛	100	UBS	4.125
STERLING							
Royal Trustco♦	60	1993	5	10	101¾	County NatWest	9.544
Lloyds Bank♦	150	1998	10	10¼	101⅛	Warburg Secs.	10.066
TMC Mortgage Scs.5(c)‡♦	125	2015	4-6	35bp	100	Salomon Brothers	-
Halifax B.Society♦	100	1993	5	(d)	100	Warburg Secs.	-
Bond Corp. (f)§♦	125	1998	10	6	100	Merrill L./Salomon	6.000
Leeds Permanent B.Soc.♦	50	1998	10	10½	100⅞	Baring Brothers	10.355
ECUs							
Austria♦	125	1993	5	7⅜	101¾	Banque Paribas	6.949
BFCE♦	125	1996	8	7⅝	101⅝	Credit Lyonnais	7.391
LUXEMBOURG FRANCS							
ESAB Finance BV★★♦	300	1993	5	7⅜	100	Kredietbank Int.	7.375
Cerinvest★★♦	300	1993	5	7	100¼	Kredietbank Int.	6.939
Kredietbk (Curacao)★★♦	300	1995	7	7¼	100½	Kredietbank Int.	7.157
Naturgas Syd★★♦	300	1993	5	7¼	100¼	Bqe Paribas(Lux)	7.189
EIB★★♦	300	1994	6	7	100¼	BIL	6.948
Council of Europe★★♦	300	1993	5	7	100¼	BIL	6.939
Council of Europe★★♦	275	1992	4	6¾	100	BIL	6.750
World Bank♦	1bn	1998	10	7	101½	BIL	6.789
Mafina BV (g)★★♦	600	1995	7	7¼	100¼	BGL	7.203
Mafina BV★★♦	300	1995	7	7¼	100½	BGL	7.157
ASLK-CGER Fin.(g)★★♦	600	1993	5	7⅛	100¾	Credit Europeen	6.942
ASLK-CGER Fin.★★♦	300	1993	5	7⅛	100¾	Banque UCL	6.942
YEN							
Societe Generale (h)♦	10bn	1993	5	7	101⅞	Nikko Secs (Europe)	6.548
EIB♦	30bn	1992	4	4¾	101⅛	Yamaichi Int.(Eur)	4.437

★Not yet priced. ★★Private placement. ♦Final terms. ‡With equity warrants. §Convertible. ‡Floating rate note. (a) SwFrs25m of new money - balance will be used as redemption and exchange for previous 5¾% bond issue. (b) Bull/bear issue in two tranches of Y5bn each - redemption linked to Japanese Govt. bond futures. (c) 35bp over 3m Libor first 10 years, 50bp thereafter. (d) Variable rate coupon to be fixed quarterly at auction above or below Libor. (e) 23bp over 6m Libor. (f) Convertible into shares of Allied Lyons. (g) Launched in two tranches of LFrs300m each. Note: Yields are calculated on AIBD basis.

Macarthy contacts 9,000 retail chemists in UniChem battle

BY PHILIP COGGAN

THE battle between Macarthy, the pharmaceutical wholesaler, and UniChem escalated over the weekend with Macarthy appealing over the heads of the UniChem board to the friendly society's retailer members.

Macarthy announced last month that it had made a £71m takeover approach to UniChem which the latter's board rebuffed. Unichem has refused to give Macarthy a list of its members so Macarthy has therefore sent out a letter to 9,000 independent retail pharmacists setting out the terms of its offer and what it sees as the advantages of a merger between the two groups.

Perhaps the key ingredient of the missive is an attached form which Macarthy asks chemists to return. The form calls upon the UniChem board to enter into negotiations with Macarthy and to convene an extraordinary meeting at which members can vote on the merger proposal.

The letter also says that Macarthy has issued a writ for libel against UniChem, Mr Peter Dodd, its chief executive, and its public relations advisers in connection with statements made about their recent takeover talks. Mr Dodd said yesterday that neither he, the company nor its advisers had yet received any writ.

At the heart of the dispute is a UniChem scheme which offers retailers – in return for extra business – bonus shares when the friendly society goes public in 1990. This scheme has caused much concern amongst UniChem's competitors and one rival, AAH, has alleged that the plan is in breach of several laws and has asked the Department of Trade and Industry and the Office of Fair Trading to investigate.

In its letter, Macarthy says that its offer gives UniChem members "the opportunity to capitalise on the substantial asset which has been built up in UniChem now without ... the enormous uncertainties inherent in the UniChem board's recently announced plans". But UniChem immediately attacked the letter claiming that it failed to set out the full terms of the offer which, it maintains, "grossly undervalues" the company.

Allied Rests 21% growth

In the 24 weeks to January 2 1988, Allied Restaurants lifted its turnover by 49 per cent to £5.7m and pre-tax profit by 21 per cent, from £305,000 to £370,000. The company joined the USM last November via a placing.

Mr Richard Carr, chairman, said customer flow continued to increase and he was confident of a successful result for the year.

The company now operates a chain of 18 fast-food restaurants under franchise from Wimpey, and also announces the acquisition of its first entertainment complex - The Mariner in Poole Harbour - for £2.8m cash.

Profit attributable worked through at £220,000 (£180,000) for earnings of 2.8p (2.4p) per share. The interim dividend is 0.5p.

Bolton Textile loss cut midterm

In the half year ended October 31 1987 Bolton Textile Mill made progress towards a return to profitability by reducing its loss from £157,000 to £42,000.

Turnover came to £3.8m (£3.5m). Loss per share worked through at 0.48p (1.71p). In the year 1986-87 the group encountered severe competition and pressure on margins, and finished with a loss of £586,000.

In the new pharmaceutical division, the initial launch of the Fischer product range was planned for April. The company has exclusive distribution rights in the UK.

WCRS in talks

WCRS, the advertising and marketing services group, confirmed yesterday that it was discussing the acquisition of a 50 per cent stake in SGGMD, the French media buying group. SGGMD had turnover of FF 5.5bn last year.

No details of consideration have yet been revealed.

Irish Glass

Additional costs towards rationalisation have hit the results of Irish Glass. For the half year ended December 29 1987 operating profit moved ahead from I£553,000 to I£657,000, but an additional provision of I£400,000 restricted the rise at the pre-tax level to £75,000 at £577,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- High Point Services, Parker Knoll.
Finals- ERI International, Parsons Crisps, Heywood Williams, Low and Bonar, Palma, Persimmon, Summit, Wyevale Garden Centres.

FUTURE DATES

Interims-	
Beazer	Mar 22
MAI	Mar 15
Menzies	Mar 17
Pressac	Mar 17
Robinson Bros	Mar 16
Finals-	
Admiral Computing	Mar 10
Allied Partnership	Mar 8
Costa Vynils	Mar 14
Evan Hebeler	Mar 17
Hampden Homecare	Mar 21
Redland	Mar 24
Spring Ram	Mar 21

General Portfolio plans SE listing

By Philip Coggan

General Portfolio Group, a life assurance company, is planning a listing on the stock market "within three years" and possibly in the next 18 months.

The group announced its intention to float in the prospectus for a £29m private placing designed to reduce its borrowings and provide capital to establish a residential mortgage lending operation.

General Portfolio's origins lie in a life assurance brokerage established in 1964 by Mr Vincent Isaacs, currently the chairman and chief executive. The brokerage acquired GPLI, a small life assurance company, in 1974 and gradually built up its business adding two direct sales organisations, GHIA and FPS in recent years.

As a result, General Portfolio now has a direct sales network of over 3,100 agents, who bring in around 95 per cent of its regular premium income. When the Financial Services Act rules on "polarisation" come into force, the sales network will only be allowed to sell General Portfolio products.

The company has recently expanded into personal pension plans and mortgage policies and it hopes to exploit its sales network by widening its range of financial services products over the next few years.

Commissions generated have increased from £5.15m in 1984 to an annualised £23.3m in 1987 and at June 30 last year, the group was responsible for policyholders' funds of around £120m.

The private placing, arranged by Cl-Alexanders Laing & Cruickshank, values the group at just under £80m. Exactly 20m shares, 37 per cent of the enlarged equity, have been placed at 147p each. The company does not intend to pay any dividends in respect of the financial years 1987/8 and 1988/9.

Mecca Leisure

A promising start had been made by Mecca Leisure Group in the current year and it was looking forward to further growth with great confidence.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Atlantic Securities Trust (Section: Trusts, Finance, Land).

General Consolidated Income, Capital & Stepped Preference Shares(Investment Trusts)

David Waller charts the recovery and growth prospects of Blackwood Hodge

More frustration on the UK front

WITH THE pace, if not quite the power, of one of the 200-ton dump-trucks it sells, Blackwood Hodge has over the last four years crawled its way back from the brink of extinction.

In 1983, the company made an attributable loss of more than £30m; its debts stood at twice shareholders' funds, and its market capitalisation had dwindled to less than £6m. Early next month, it is expected to report pre-tax profits of £12½m for 1987 – and is on course for £18m in the current year.

For the world's largest distributor of earthmoving, construction and mining equipment, the result will furnish further evidence that the consequences of a severe downturn in demand for its gargantuan diggers, excavators and scrapers have at last been tackled.

BH had prospered in the post-war decades when it supplied the developing nations with the equipment necessary to build hydroelectric dams, lay down motorways and dig up vast mineral resources. In the late seventies, it failed to realise oil price rises would mean the end of the infrastructure bonanza, and it entered the present decade severely overstocked and heavily indebted.

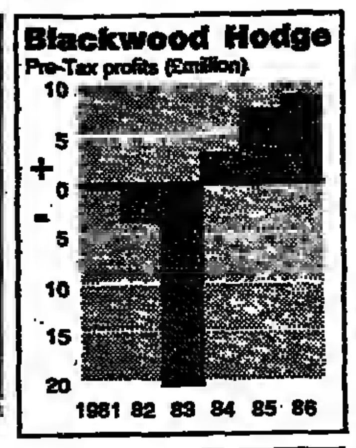
Mr Ken Scobie, the Scottish accountant who arrived at the company in 1983 as finance director and who is now managing director, is credited with saving the company by means of a savage reduction in inventories and the disposal of all non-core businesses.

The immediate effect was to cut borrowings and the interest bill – which for the four years from 1980 to 1983 had either matched or eclipsed the company's operating profits. BH, therefore, avoided an inglorious end at the hands of its bankers but for operating growth, rather than mere survival, Mr Scobie planned to make acquisitions in the US and in the UK.

A build-up of profits in the UK was considered desirable in order to reduce the group's dependence on those overseas. Quite apart from exposing the company to the vagaries of currency fluctuations, and creating an imbalance between the shareholder base and the source of earnings, the reliance on foreign markets gave the company a problem with unrelieved Advance Corporation Tax. Dividends, when resumed in 1986 after three years, have been restricted as a result.

The move into the US was deemed sensible in that it represented the largest market for construction equipment in the world – worth about half the $30bn total – and one which only historical accident had prevented BH from entering in the first place.

Kenneth Scobie: credited with saving the company.



In June 1986, BH tried to make its move in the UK with what turned out to be an abortive attempt to act as a white knight in the bid battle for Benford Concrete Machinery, a manufacturing company. In the event, BH's £19.6m bid was beaten by BM Group, the construction industry supplier controlled by C.H. Beazer, the acquisitive housebuilder.

To this day, BH's ambitions in the UK have been frustrated and, according to Mr Scobie, approximately 85 per cent of current year turnover will come from overseas.

By contrast, BH has been successful to its plans to diversify *into the US, spending some $56m* on four distributorships which will add more than $100m to group turnover. In each case, BH acts for *Komatsu, the Japanese* rival to the US company, Caterpillar.

Ironically the US acquisitions – *all but one of which* were made before Black Monday – now look as though they are frustrating plans to buy a large *(£80m-£100m) UK company.*

This is because the association with the US was bad news for BH's share price in the immediate *aftermath of crash, when its* shares tumbled by nearly two-thirds. Although they have outperformed the market by nearly 40 per cent since the beginning of December, they have a lowly rating, trading at only six or seven times current year earnings.

At this level, BH cannot make a large acquisition for paper *without* causing substantial earnings dilution. The three or four target purchases identified pre-crash are now sitting on the back-burner, *all* action shelved until the shares climb back to a more favourable rating.

Quite apart from the strategic impasse created by the rating, BH's growth will inevitable be hampered by its role as a distributor of mainly heavy equipment. Customers now prefer smaller, more efficient machines which need to be replaced less frequently and require less maintenance. It is doubtful whether e company such as BH, with its international capabilities, is in a *position to offer any* better a service than a good local distributor.

Moreover, the manufacturing side of the industry is in a state *of disarray* induced by years of fierce competition in a stagnant market. Tha resulting restructuring breeds change and insecurity. *In short*, BH's ties to the manufacturers cannot be regarded as immutable.

Therefore, despite Mr Scobie's *valiant efforts*, the future for BH is still shrouded in uncertainty.

Erskine House £7m expansion

By Andrew Hill

Erskine House Group, the rapidly expanding office equipment company, has bought two businesses which specialise in office machine sales and servicing, for a maximum of about £6.8m.

The group announced the acquisition of Talbographic Systems, Leicester-based copier and fax dealer, for an initial £2.75m, funded by a vendor placing. In addition, Erskine House has bought Standard Copier Machines (SCMI) of Baltimore, US, which sells and services Ricoh office equipment, for an initial $3.92m (£2.2m), also financed by a vendor placing.

Further payments up to a total of £3m in shares for Talbographic and $6.7m in cash for SCMI depend on future profits.

Talbographic made £230,000 before tax in the year to May 31 1987, while SCMI made pre-tax profits before exceptional items of $272,000 for the year to June 30 1987.

Greenwich Comm

A number of factors have contributed to a sharp decline from a profit of £18,000 to a £1.18m loss at USM quoted Greenwich Communications in the year ended August 31 1987. Losses per share increased from 1.1p to 18.8p.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
HK Shanghai	Mar 10	Final 30.28
*Bostock Johns	Apr 7	Final 4.3
Jaguar	Mar 5	Final 6.2
*Ladbroke	Mar 10	Final 7.0
Laird Group	Apr 2	Final 4.1
LASMO	Mar 31	Final 7.0
*Marley	Mar 28	Final 2.7
NEI	Mar 25	Final 3.8
Next	Mar 12	Interim 1.8
Ocean Trans	Mar 25	Final 5.1
P & O	Mar 24	Final 11.5
Pentland Ind	Mar 14	Final 1.018
*Prudential	Mar 22	Final 19.0
Reckitt Col	Apr 21	Final 11.75
RTZ	Apr 8	Final 16.5
*Rowntree	Mar 17	Final 9.2
Slough Ests	Mar 30	Final 4.0
Smith & Neph	Mar 25	Final 1.87
*Standley	Mar 28	Final 10.0
Sun Alliance	Apr 1	Final 18.0
*TI	Mar 10	Final 10.0
*Ultramar	Mar 8	Final 2.25
*Unilever	Feb 25	Final 35.17
*Utd Biscuits	Mar 30	Final 6.0
*Utd Newspps	Mar 17	Final 10.8
Wimpey (G.)	Apr 9	Final 3.75
*Woolworth	Mar 29	Final 11.0
AB Ports	Apr 9	Final 4.0
Abbey Life	Apr 1	Final 5.5
Amec	Apr 1	Final 7.5
BAT Inds	Mar 25	Final 8.8
*BICC	Mar 9	Final 8.25
*BSG Intl	Mar 29	Final 0.66
*BTR	Mar 17	Final 4.754
*Barratt Devs	Mar 28	Interim 2.54
Booker	Mar 23	Final 9.0
Bowater	Apr 9	Final 9.0
Brit Aero	Mar 24	Final 11.0
*Brixton Est	Apr 21	Final 3.9
Bunzl	Mar 31	Final 2.45
Burmah Oil	Apr 9	Final 9.5
Cement Road	Mar 11	Final 2.45
Coats Viyella	Mar 29	Final 10.0
*Cookson	Mar 24	Final 6.0
*DRG	Mar 16	Final 5.7
De Beers	Mar 10	Final 60c
*GRE	Apr 1	Final 24.0
*Gen Mining	Mar 10	Final 150c
*Glaxo	Mar 14	Interim 5.0
*Glynwed	Mar 14	Final 6.5
*Hall (M.)	Apr. 3	Final 3.5
Hammerson	Apr 8	Final 8.5
Hepworth Cer	Mar 25	Final 5.10
*Hillsdown	Mar 9	Final 2.75

Transcontinental modifies its hedging strategy

BY DOMINIQUE JACKSON

Transcontinental Services Group, investment holding company, said it would no longer continue to hedge against the company's exposure to non-sterling currencies, in particular the US dollar.

The directors' decided to modify the company's hedging strategy because a majority of the company's share capital was held by shareholders other than UK individuals or institutions.

Transcontinental also said that its accounts, which have been drawn up in sterling for the last two years, would be presented in US dollars and in accordance with US accounting standards for the financial year ending March 31 1988.

Accounts prepared in accordance with UK accounting standards would be included as supplementary information.

FINANCIAL TIMES STOCK INDICES

	Mar. 4	Feb. 3	Feb. 2	Feb. 1	Feb. 29	Feb. 26	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.24	90.41	90.39	90.47	90.26	90.03	93.32	83.73	127.4	49.18
Fixed Interest	96.72	96.52	96.47	96.56	96.43	95.79	99.12	90.23	105.4	50.53
Ordinary	1478.7	1463.6	1467.9	1439.1	1429.5	1423.7	1926.2	1232.0	1926.2	49.4
Gold Mines	239.7	241.8	240.4	238.6	234.0	244.9	497.5	234.0	734.7	43.5
FT-Act All Share	939.34	928.76	925.98	914.24	908.08	907.47	1238.57	784.81	1238.57	61.92
FT-SE 100	1834.5	1813.3	1808.7	1781.9	1768.8	1766.5	2443.4	1565.2	2443.4	986.9

Store design

How every product tells a story

Alan Cane continues his series by examining the way in which W.H. Smith, the UK retailer, is using up-to-the-minute sales information to dictate the layout of its branches

THE INFORMATION EDGE

CONSIDER W. H. Smith's Holborn branch, on the edge of London's financial district. It is a distinctive store which reflects the commitment of the UK's largest bookseller and newsagent to design as good business practice. It is also a showpiece for the company's innovative approach to two retailing technologies — electronic point of sale (Epos) at the checkouts and computer aided design (CAD) for internal store design.

WHS is already a leader, in its own market segments at any rate, in both these retailing innovations. By bringing them together the company is on the brink of creating a marketing advantage that other retailers may find hard to match.

The system it is creating will enable it not only to design each of its nearly 400 stores quickly and for maximised profitability but also to rejig stores to exploit every square metre in each store to the full.

It has committed £250,000 over the next 12 months to forging a link between Epos and CAD. Experts agree that if WHS can successfully link the two systems — and technically there seems no reason why it should not — it will have pulled off a spectacular coup.

At its most graphic, the system will enable WHS strategists to create, on a computer terminal screen, a three dimensional image of the interior of any of their 365 UK stores. They will be able to alter the internal design at will, seeking the best positions for bookshelves and record bins.

They will be able to create images of customers — men, women and children — browsing through the merchandise. They will be able to analyse how their electronic doppelgangers "see" and are attracted to the goods on display. A child, after all, has a physically different viewpoint from an adult as does a man from a woman.

If that was all WHS could do, it would be remarkable but not sensational; designers and architects can use computers to produce stunning graphics routinely these days.

But it will also be able, through a "bridge" to its Epos system, to incorporate the value of every product line into its electronic images. It will be able to attach a "selling value" to every square metre of the interior of its stores, allowing it to maximise its use of space with a degree of accuracy never possible before.

David Walters, co-director of the Oxford Institute of Retail Management at Templeton College, thinks that WHS is making the running in the design of the optimal store. "It is unique in the UK," he says, "and possibly in the world. It is pretty well at the leading edge of these developments."

It is certainly at the leading edge of developments in Epos, a distinction it shares with the UK's bigger food groups like Sainsbury and Argyll.

The use of Epos, whereby a computer based in the store records all transactions from each cash register and provides an electronic link with the company's head office computers, has revolutionised the way WHS works over the past few years.

Jean Evans, the manager of the Holborn branch, recalls that about two years ago all stock-taking and ordering was carried out manually on a three-weekly cycle.

A WHS store stocks, on average, 60,000 lines of merchandise; Holborn used no less than 72 stock monitoring books to record all its inventory. (By comparison, a major food retailer like Sainsbury will have only 10-12,000 lines in stock at any one time.)

Recording changes in stock levels by hand was labour-intensive ("During a busy lunch time, just about everybody would be out counting stock," Evans remembers, and therefore not serving customers.) It was tedious and prone to human error. The system gave no clue as to what was selling well.

Out-of-stock items could have sold out on the first day of the ordering cycle. A best-seller could be out of stock for nearly three weeks before anyone realised the missed opportunity.

"We were in a bind," says Colin Warwick, the retail sales director. "Each branch had to make up its own mind about what stock it would order. We had no way of knowing if the branches were operating in a manner of which we would approve. It was no way to make progress."

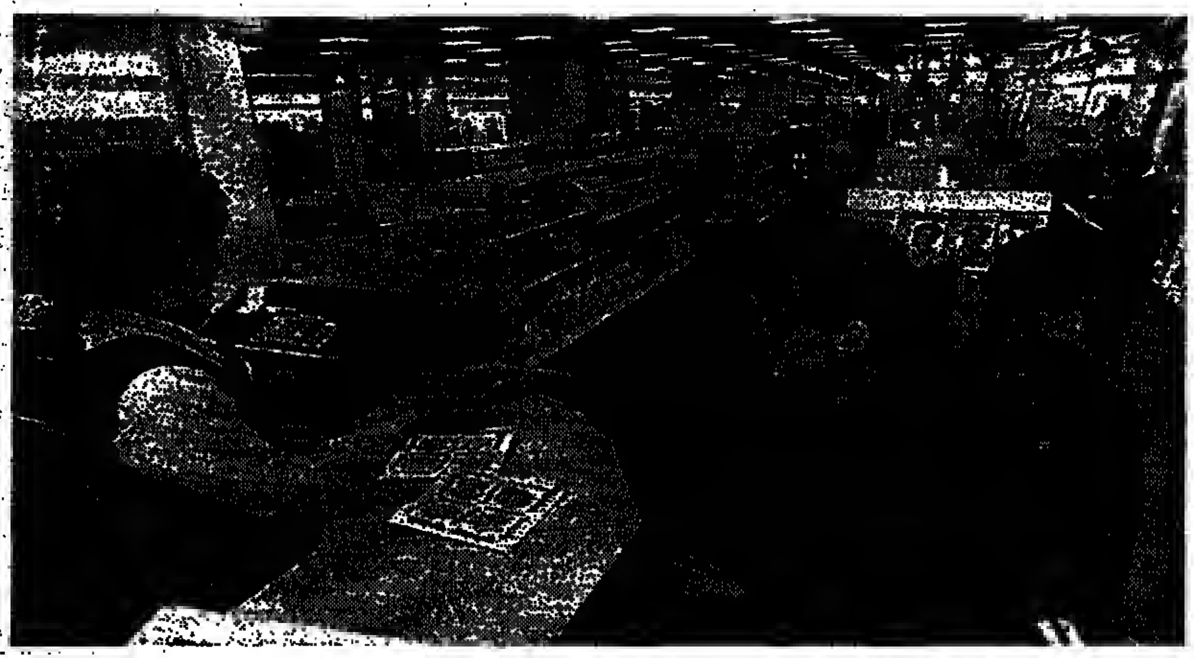
Essentially, WHS wanted to achieve three objectives:

● Increased contribution to profits through better sales and better sales margins.

● Better staff utilisation through the removal of the tedium of stock counting leading to greater job satisfaction.

● Improved stock turnover — at that time, on average, it was turning stock over three, perhaps three and a half times a year. It is now up to four times a year.

Epos was neither the only nor the cheapest option. WHS could have set up a never-ending round of telephone calls to each store to establish stock levels, or it could have "sampled" — based its stock requirements on intense investigation of a very few stores.



W.H. Smith's Holborn branch: a showpiece for the use of two retailing technologies

It rejected these in favour of "operational Epos" — a computer in every store linked to headquarters through the company's own high speed data network, recording every stock movement and filing the results both in the branch and at the centre.

It was a courageous decision. First, Epos in the early 1980s was still in its infancy. Even today only 10 per cent of the UK's 1m or so cash tills are computerised.

Second, it was expensive and left the company prey to adverse currency movements. Over the life of the project the capital cost alone will be some £23m — mostly for US-made National Semiconductor computer equipment.

Warwick still winces when he recalls the time the dollar/sterling exchange rate fell almost to parity, forcing him to negotiate an escape clause with the equipment suppliers. Costs on that scale, he says, would have far outweighed the benefits to the business.

Third, it involved a long campaign to persuade WHS's suppliers to mark their products with bar codes [patterns carrying product details and possibly price which can be read by scanners attached to the Epos cash registers].

Much of the speed and convenience of Epos, WHS knew, would be lost if product lines were not bar code marked at source.

Single-mindedly, WHS set out to convert its suppliers: "I tramped the streets persuading major publishers," Jeremy Soper, retail sales director, says. "We felt we were banging our heads against a brick wall. Then the floodgates opened."

Fourth, and most critical in Warwick's view, the move to computerise stock control involved a complete cultural change — education, training and so on. "Everybody had to learn new tricks," he says.

Small scale trials in Portsmouth and Oxford led to the decision in 1985 to put Epos into all WHS stores; now 163 of the 365 stores are equipped.

Has it been successful? WHS senior managers say the project was assessed using traditional return-on-investment methods. "And on those calculations it has been amply justified," Warwick says. WHS will not quote actual figures but he points out that at the very least there had to be a two per cent increase in gross profits to justify the expense.

Without Epos, costs would have been more difficult to control and it would have been less easy to manage what is at present a buoyant business. WHS has no direct competitors but fights on many fronts. Warwick believes that without Epos, smaller competitors would have found it easier to cut into its overall market share.

Among the more colourful benefits are:

● Holborn branch discovered a hitherto unrealised demand for educational children's books, reflecting the concerns of parents working in the area.

● Another branch was able, based on information from the Epos system, to request Oxford University Press to reprint "Diary Of A Teenage Health Freak" in the knowledge that it would sell a further 20,000 copies.

● In the notoriously treacherous area of children's toys, WHS was able to steal a march on the competition when the system told it that "Keypers", a lock-up toy manufactured by Tonka, was selling well. Tonka was encouraged to keep that line in production and WHS made the most of the sales opportunity.

Computer-aided design, the second element in WHS's stores revolution depends on software developed by T-squared, a small software house based in Berkhamsted, Hertfordshire.

Founded by a group of architects some 11 years ago, its software Rucaps (Really Useful Computer Aided Planning System — no connection with Andrew Lloyd-Webber) is an attempt to do for store planning what mainframe computer-aided design did for the aeronautical engineering design business. The aerospace industry pioneered CAD techniques and has exploited them to the full.

Rucaps is used by, among others in the UK, the major stores chains, John Lewis and Littlewoods.

What makes Rucaps different is the inbuilt intelligence that takes it well beyond a conventional two or three dimensional draughting system; it is also a detailed file of information about the building under design. "Behind every line on a Rucaps drawing, there is a single source of information," says John Watts, T-squared managing director.

Richard Handover, WHS retail group development manager, saw Rucaps as a way of solving the logistical problems of redesigning 20 existing stores and commissioning 20 new ones each year.

Traditionally, plastic models of fixtures and fittings are moved around on a plan of the store to find the best match. Drawings are then made as the first stage in a process which might involve many lengthy alterations.

Rucaps saves only a little time over the plastic models; it comes into its own at the printing and modification stages where alterations can be made swiftly on the screen and newly printed plans despatched to the branch.

Handover points out that WHS will begin to achieve the full benefits once it has all the historic data for its current properties on file.

He gives the retailing of compact discs as an example. Two years ago, they were hardly in evidence anywhere. Now they require some 30 per cent of the space in WHS record departments.

Vinyl records have started to give way to tapes and videocassettes. In 1986, a five-man team took seven months to make the necessary design changes to accommodate these new products. Using Rucaps, he says, the time necessary for such work could be cut to one month.

But the greatest benefits are expected to flow from linking information from the Epos system to the Rucaps database. Handover is already using a technique called "direct product profitability" — an elaborate formula linking the volume of sales, the margins and the store space allowed for the product, and thus indicates the relative profitability of all the company's product lines.

With the Epos sales information underlying the Rucaps three-dimensional image, it should be possible to design the interior of a store to make it more profitable and to alter it as trading conditions change.

But that, he agrees, is for the future. For the moment Rucaps is being used to simplify the fitting out of branches like Holborn while Epos is installed to increase stock control and profitability.

At Holborn, Evans and her staff are fervent supporters of the new regime. Has she no regrets? "Well yes. At sales time I'm embarrassed because I have so little unsold stock to dispose of. I may have to buy lines in specially."

In the computerised store of tomorrow, yesterday's methods still have their place.

1992 offers scope for consultants

BY MICHAEL SKAPINKER

ARE BRITAIN'S management consultants finally beginning to falter after their long and triumphant march through the country's financial institutions, retail empires and manufacturing plants?

The Management Consultancies Association has, it is true, just announced that its members' fee income increased last year by 29 per cent to £294.4m. But the rise was smaller than the increases of more than 35 per cent recorded in each of the previous two years.

Jim Donaldson, the MCA's chairman, says that he expects the rate of growth in the next few years to be lower still.

Nevertheless, UK management consultants still hava a lot to look forward to. The run-up to the creation of a single European market in 1992 is likely to be a lucrative period for consultants as British companies slowly realise that they have some serious thinking and planning to do.

The Department of Trade and Industry Enterprise Initiative, announced earlier this year, should also help. The MCA has expressed fears that the DTI'e ambitious plans might result in consulting standards being eroded. But it has welcomed the Government's announcement that over the next three years it will provide more than £250m in financial support for small businesses wishing to use consulting services.

What of last October's stock market crash? Donaldson says that MCA members report that it has so far had little effect on their business.

He said, however, that consultants could "expect a change in the range of work we undertake in the City. There will be less frenetic effort to meet short deadlines and more to do with longer-term organisation."

The MCA's figures reveal some other changes in the type of work being done by consultants. Fees from work on information technology increased by 33 per cent to £92m last year, although the rise in 1986 was 98 per cent.

The area of consulting which showed the biggest percentage increase last year was personnel management and training, where fee income increased by 85 per cent to £22.6m. The second largest increase occurred in manufacturing management and technology, where fees rose by 60 per cent to £30.5m.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
215	F.P.	-	273	218	AMI Healthcare 20p	268	-3	a5.0	2.9	2.6	18.3
§130	F.P.	-	165	150	Archer (A.J.) Hldgs 1p	165	+10	R6.5	2.1	5.4	12.3
§95	F.P.	-	108	98	Aukett Associates 5p	104	-1	L2.5	2.9	3.3	14.3
330	120	-	92	61	British Petroleum	63		N12.5	1.5	6.3	13.6
20	F.P.	-	151	131	‡Carron Phoenix 10p	151	+1	R3.5	2.7	3.2	15.7
§130	F.P.	-	148	140	‡Cosymore 5p	141		b2.0	3.0	1.9	17.2
§30	F.P.	-	41	38½	Gardiner Group 5p	41		b0.75	3.9	2.5	13.9
§64	F.P.	-	78	64	‡Hughes (H.T.) 10p	78	+2	b2.25	2.1	4.0	14.4
52	F.P.	-	68	62	In Shops 5p	68	+2	R1.3	2.6	2.6	16.9
160	F.P.	-	165	154	‡London Forfaiting	164	-1	u6.5	2.3	5.4	9.7
§100	F.F.	-	108	100½	‡Norfolk House Group 5p	108		R2.19	3.8	2.8	10.8
§650	F.P.	-	750	710	Shanks & McEwan 50p	750xd	-5	b15.5	2.3	2.8	20.4
§130	F.F.	-	138	129	TGI Group 1p	133	+1	N4.75	3.0	4.9	9.5
125	F.P.	-	145	123	T.I.P. Europe	143	+3	R4.2	2.3	4.0	12.1
§80	F.P.	-	90	81	‡Titon 5p	82		u2.35	2.7	3.9	13.0
††	F.P.	16/3	23	18	Verson Intl. 10p	10½		b0.33	2.7	2.4	16.6
§80	F.P.	-	81	80	Waverley Min. Fin. 5p	78		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
100	F.P.	1/3	105p	103p	Cooper (F.) 6.5p Cnv.Red.Cnv.Ptg.Prf.	105p	+1
100	F.P.	-	112p	108p	Emess 6.25p Net Cnv.Cum.Red Prf.	110p	
100	F.P.	15/6	119	107	Grt. Prtlnd. Est. 9½pc.Cv.Uns. Ln 2002	119	+1
100	F.P.	-	117p	108p	Morgan Crucible 7.5pc Net.Cv Cm.Rd.Pf.	116p	
100	F.P.	-	107p	102p	Nat. Home Loans 7.5pc Cnv. Pf	106p	
-	F.P.	-	99¾	99¼	N'wide Anglia 9⅞pc 20.2.89	99¾	
100	F.P.	-	109p	107p	Scott & Robertson 7½ Cum.Cnv.Red.Prf.	108p	
100	F.F.	-	115p	100p	Stanley (A.G.) 5.75p Cnv Cnv Red Prf.	115p	+1
100	F.P.	-	123p	116p	Thomson T-Line 5.75p Net.Cv.Red.Prf	123p	
100	F.P.	-	116p	110p	Widney 8.76pc. Cv.Cm.Rd.Pf. 2000 £1	115p	
-	F.P.	-	138	127	Woolworth 8½pc. Cnv.Uns Ln. 2000	138	+5

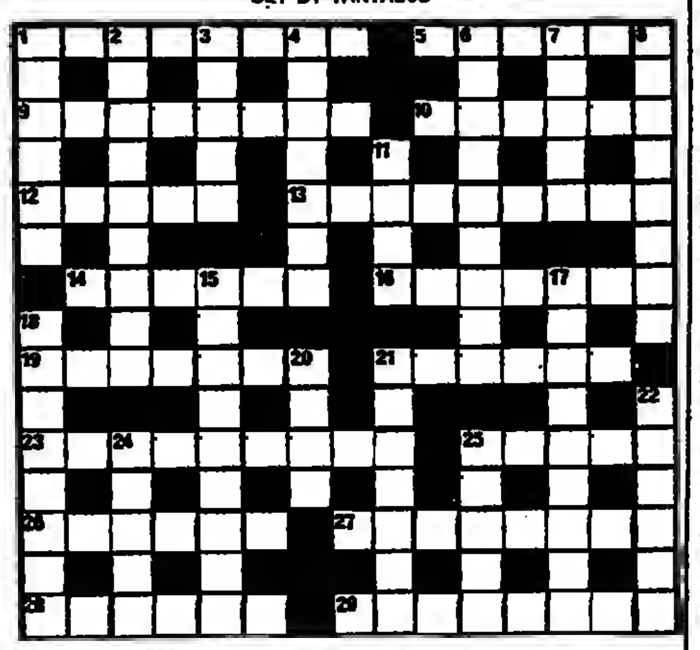
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
1	Nil	-	15pm	10pm	Brewmaker 1p	11pm	+1
100	Nil	-	3¼pm	2pm	Cambiern Venture Cap.	3¼pm	+¼
25	Nil	-	3½pm	1½pm	London Inv. Tst.5p	1¼pm	
220	Nil	-	50pm	40pm	Parrish 5p	40pm	-3
250	Nil	-	102pm	60pm	Press Tools 10p	100pm	-2
57	Nil	-	10pm	6pm	‡Splash Products 10p	10pm	

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. H Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ‡ Official London listing. □ Including warrants entitlement. * Third Market.

FT CROSSWORD No.6,574

SET BY TANTALUS



ACROSS

1 and 5 Fierce water creature could tip angler's punt (8,6)
9 Upbraid salesman with fish (8)
10 Value Merida complex (6)
12 Destroy all traces of age – extremely sensible (5)
13 Irish policeman enters opening looking backwards (9)
14 With no ending (6)
16 Oriental at French city allowed shoulder piece (7)
19 Greek mountain music maker (7)
21 Quiver more perhaps after seeing treasurer (6)
23 Mighty goddess is a ruler (9)
25 Cooker brought back and everyone has tea (5)
26 I go in front of married couple and hinder (6)
27 Strong stout (8)
28 "Who loves a – – – loves a greenhouse too (Cowper) (6)
29 Nectared blend from this bottle (8)

DOWN

1 Live in type provides water ice (6)
2 Is a student under a very gentle artist for assessment? (9)
3 Single support for pair lying flat (5)
4 Lifted sailor with a tin that's bright orange red (7)
6 Commit oneself to arranging burial? (9)
7 In Malta I gain sight of a forest (5)
8 Toothless, 28 the first to eat – extraordinary! (8)
11 Monster, initially on ground rose effortlessly (4)
15 Hidden engineers study changing tide (9)
17 Leo scattered earth for Richard I (9)
18 Betraying someone in the precinct? (8)
20 When eating in here it's orderly (4)
21 Unexpected treat – he provides drama (7)
22 Business trouble (6)
24 He may use 29 frequently (5)
25 Would you hear a wedge being put up? (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 19.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6903/4/5

Scimitar Global Gth Ac	28.7	30.6	+0.1	–
Do Income	28.5	30.4	+0.1	0.19
Scimitar European Acc	21.2	22.6	+0.1	–
Do Income	21.2	22.6	+0.1	0.11
Scimitar UK Eq Inc Acc	36.2	38.2	+0.2	–
Do Income	33.9	35.7xd	+0.2	5.39
UK Cap Gth Acc	24.6	26.2	+0.4	0.75
Scimitar Pac Basin Acc	30.2	32.2	+0.1	–
Scimitar Ningal Exempt	141.9	147.9xd	+0.8	–

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Intl Income Units	130.7	139.0	–	3.34
Intl Accum Units	200.2	213.0	–	3.34
UK General Acc	38.7	41.4	+0.4	3.30
UK General Inc	37.2	39.8	+0.4	3.30
American	27.7	29.6	-0.1	2.13
European	35.6	38.1	+0.1	1.26
Japan	58.1	62.1	–	0.05
Technology	35.7	38.2xd	+0.1	2.29
Performance Trusts				
Far East Perf Tst	18.4	19.7	+0.1	2.00
High Inc Perf Tst Inc	24.0	25.7	–	5.36
High Inc Perf Tst Acc	24.6	26.3	+0.1	5.36
Worldwide Tact Perf Tst	28.6	30.6	-0.1	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	212.4	227.2	+1.6	2.40
Columbus (US)	134.2	143.6	+0.2	1.31
Marco Polo (Pac)	217.2	232.4	+0.6	0.27
Da Vinci (Eur)	226.4	242.2	+0.0	1.64
Drake (Wwd)	53.2	57.0	+0.2	2.61

Scottish Mutual Investment Managers Ltd
104 St Vincent St, Glasgow G2 5RB 041-248 6100

UK Equity	205.6	218.8	+1.2	2.68
UK Ser Ir. Gen. Equity	209.4	222.8	+0.3	1.93
UK Special Situations	60.7	64.5	+0.5	2.93
Income Plus	52.3	55.7	+0.3	5.35
European	163.0	174.1	+0.1	1.42
Far Eastern	51.9	55.3	+0.4	2.18
Japanese	55.7	59.3	+0.2	–
North American	115.5	122.9	+0.5	1.38
International Growth	110.1	117.2	+0.8	1.12
Worldwide Venture	53.2	56.7	+0.4	3.49

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-558 2341/2/3

Equity Growth Tst Acc	17.69	18.93	+0.07	3.04
Equity Growth Tst Inc	17.69	18.93	+0.07	3.04
Intl Growth Tst Acc	18.26	19.54	+0.02	1.57
Intl Growth Tst Inc	18.26	19.54	+0.02	1.57
Global Income Tst Acc	19.07	20.41	+0.04	5.51

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4388

TUUT Mar 1	212.5	223.7xd	–	3.22

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 364480

Triton General	148.8	160.1	+1.3	1.55

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Convertible & General	58.7	62.2	+0.1	6.40
Accum Units	60.4	64.0	+0.1	–
Income	80.1	84.9	+0.3	4.42
Accum Units	80.1	84.9	+0.3	–
Smaller Co's	82.8	87.8xd	+0.1	1.85
Accum Units	83.7	88.7	+0.1	–
UK Growth	85.8	90.9xd	+0.4	2.28
Accum Units	86.9	92.1	+0.9	–
Pacific Gold Tst Acc	47.6	50.5	–	–

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

Bricket Growth Fd	58.7	62.6	–	1.71
Technical Analysis Fd	51.7	55.0	+0.6	3.30

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	176.5	187.6	–	2.42
Friars Hse Inc Fd	150.2	158.1	–	3.82

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC 01-534 5544

United Charities	171.9	182.2	-0.8	4.65

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line. 01-236 2468

Glenfriars	183.5	195.2	-2.1	1.47
(Accum Units)	187.1	199.0	-2.3	–
Far East & Gen	55.9	59.5	–	–
(Accum Units)	55.9	59.5	–	–
Master Portfolio	66.764	68.476	+0.328	6.02
(Accum Units)	68.614	70.373	+0.337	–
American & Gen	57.9	61.5	–	1.95
(Accum Units)	58.7	62.4	–	–
Growth	211.9	225.4xd	+0.8	1.89
(Accum Units)	319.6	340.0	+1.4	–
High Yield	266.0	285.1xd	+1.6	4.51
(Accum Units)	287.5	305.9	+1.4	–
Special Sits	52.1	55.4	+0.1	1.65
(Accum Units)	53.8	57.2	+0.2	–
Trustee	160.9	171.2	+2.6	4.06
(Accum Units)	259.0	275.5	+4.1	–
European Fund Inc	36.9	39.3	+0.3	0.69
(Accum Units)	37.1	39.3	+0.2	–

Wardley Unit Trust Managers Ltd (a)
99, Bishopsgate, London, EC2P 2LA 01-574 0861

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	374.6	394.4		–
Eb'r Ph Eq	316.8	337.6		–
Pension Plan Funds				
Phoenix				
UK Equity Acc	165.9	174.6	+1.0	–
International Acc.	130.0	136.8		–
Property Acc.	125.4	132.0		–
Fixed Interest Acc.	154.9	163.0		–
Money Acc.	136.8	144.0	-0.1	–
Bldg Soc. Link Acc.	133.9	140.6	-0.1	–
Special Mngd. Acc. Q.	147.6	155.3	-0.6	–
Phoenix/Framlington				
Mjd. Growth Acc.	89.9	94.6	-0.1	–
Amer & Gen Acc.	83.7	88.1		–
Capital Tst. Acc	172.5	181.9	-0.0	–
Japan & Gen Acc.	182.9	192.6	-0.1	–
American Turn. Acc.	84.7	89.1	+1.2	–
Recovery Tst Acc	170.3	179.2	-1.4	–
Special Mngd Acc.	143.7	151.2	+0.6	–
Phoenix/GT				
International Acc.	124.1	130.6	-0.0	–
US & General Acc.	93.3	98.2	-0.8	–
Amer Spec Sits Acc.	67.2	70.7	-1.2	–
Japan & General Acc.	178.0	187.3	-0.2	–
Far East & Gen Acc	141.4	149.0	-0.3	–
UK Capital Acc.	171.4	180.4	-0.4	–
European Acc	136.1	143.2	-0.1	–
Special Mngd Acc	126.6	133.2	-0.5	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd N. Waterloo, Liverpool 051-928 6655

Managed Fund	266.1	280.2		–
Man Pens Inc & Cap Fds	340.5	358.3		–
Money Fund	111.4	117.3		–
Pens Mngd Fd (Init)	83.5	87.9		–
Pens Mngd Fd (Acc)	93.5	98.4		–
Pens FT30 Fd (Init)	128.1	134.9		–
Pens FT30 Fd (Acc)	144.0	151.6		–
Pen O'seas MgFd(Ini)	56.7	59.7		–
Pen O'seas MgFd(Acc)	63.7	67.1		–
Pens Fxd Int Fd (Init)	104.7	110.3		–
Pens Fxd Int Fd (Acc)	117.6	123.8		–
Pens Deposit Fd (Init)	100.9	106.3		–
Pens Deposit Fd (Acc)	113.4	119.4		–

Premium Life Assurance Co Ltd

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
12Jan 12Jul	Conv 9pc Ln 2011	99 33/32	7.12	9.07	9.08
10Mar 10Sep	Treas. 5½pc 2008-12‡‡	67¼ xd	2.2	8.25	0.85
26Jul 26Jan	Treas. 7¾pc 2012-15‡‡	87 13/32	21.12	8.90	9.03
12Jun 12Dec	Exch. 12pc '13-'17	128¼	5.11	9.40	9.17

Undated

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
1Feb 1Aug	Consols 4pc	44	29.12	9.09	—
1Jun 1Dec	War Loan 3½pc‡‡	39⅛	26.10	8.95	—
1Apr 1Oct	Conv. 3½pc '61 Aft	50 [illegible] xd	24.2	6.89	—
5Apr 5Oct	Treas. 3pc '66 Aft	32⅝ xd	1.3	9.20	—
5Ja Ap Jul O	Consols 2½pc	27 [illegible] xd	1.3	8.99	—
1Apr 1Oct	Treas. 2½pc	27 [illegible] xd	24.2	8.99	—

Index-Linked

Interest Due	Stock	Price £	Last xd	(1)	(2)
25Jul 25Jan	Treas 2pc IL '90(333.9)	118½	21.12	0.74	2.13
23Sep 23Mar	Do. 2pc '92‡‡ (385.8)	100 [illegible] xd	17.8	1.92	2.58
16Mar 16Sep	Do. 2pc '96(267.9)	130 [illegible] xd	8.2	3.27	3.89
24Mar 24Sep	Do. 2½pc '01 (308.8)	109 [illegible] xd	18.8	3.71	3.95
20Nov 20May	Do. 2½pc '03(310.7)	106⅞	14.10	3.73	3.94
19Jan 19Jul	Do. 2pc '06(274.1)	108⅛	14.12	3.77	3.95
20Nov 20May	Do. 2½pc '09(310.7)	101 [illegible]	14.10	3.77	3.93
23Feb 23Aug	Do. 2½pc '11(294.1)	105 [illegible]	10.1	3.77	3.92
16Feb 16Aug	Do. 2½pc '13(351.9)	88	11.1	3.72	3.86
26Jan 26Jul	Do. 2½pc '16(322.0)	95	21.12	3.69	3.83
16Oct 16Apr	Do. 2½pc '20 (327.3)	93⅛	9.9	3.63	3.75
17Jan 17Jul	Do. 2½pc '24 ‡‡(385.3)	78 [illegible]	11.12	3.56	3.68

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for June1987:101.9 and for January 1988: 103.3 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
4 Jan 4 Jun	African Dv Bk 11¼ Ln 2010	107 [illegible]	3.12	10.38	10.29
24Mar 24Sep	Asian Dev Bk 10¼pcLn2009	103 [illegible]	26.8	9.95	9.90
28Jan 28Jul	Australia 13½pc 2010	128 [illegible]	23.12	10.52	10.25
26Apr 26Oct	Do. 11¾pcLn2015	111 [illegible]	24.9	10.24	10.13
23Mar 23Sep	Euro Inv Bk 11pc Ln 2002	108 [illegible]	24.8	10.10	9.83
22Mar 22Nov	Do. 10¼pc2004	106 [illegible]	16.10	9.92	9.79
8Jan 8Jul	Int-Am Dev Bk 12½pc 2003	119 [illegible]	7.12	10.50	9.990
15May 15Nov	Do. 9¾pcLn 2015	97 [illegible]	14.10	10.02	10.03
31 Jan 31 Jul	Mlysia 10¾pcLn 2009	91 [illegible] xd	23.12	11.74	11.83
22 Jan 22 Jul	Sweden 13½pc Ln 2010	128 [illegible]	21.12	10.49	10.19
1Mar 1Sep	Utd. Mexican States 16½pc 2008	102 [illegible] xd	12.01	16.04	16.00

CORPORATION LOANS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
20May 20Nov	Birmingham 13½pc 1989	105⅜	20.10	12.81	9.95
15May 15Nov	Do. 11½pc 2012	110 [illegible]	15.10	10.45	10.36
15Feb 15Aug	GLC 6¾pc 1990-92	90¾ xd	13.1	7.44	9.70
1Apr 1Oct	Leeds 13½pc 2006	120	11.9	11.25	10.97
1Ja Apr Jn Oc	Liverpool 3½pc Irred	30xd	1.12	11.67	—
10Jan 10Jul	LCC 6¾pc '88-90	92½	10.12	7.30	10.55
1Mar Jn S D	Do. 3pc '20 Aft	30xd	2.11	10.00	—
25Apr 25Oct	Manchester 11½pc 2007	109	9.10	10.55	10.40

COMMONWEALTH & AFRICAN LOANS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
1Jan 1Jul	NZ 7¼pc 1988-92	91½	1.12	7.92	9.65
1Apr 1Oct	S Rhod 2½pc Non-Asstd	197	—	—	—
7Feb 7Aug	Do. 4½pc 87-92 Asstd	71½	7.1	—	—
15Apr 15Oct	Zimbabwe Ann (£100pa)	89½	15.9	—	—

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Mr Je Se De	Sun Co. Inc. $1	38½xd	5.11	[illegible]	–	5.4
Ma Ju Se De	TRW Inc. 62½c	27⅞xd	11.8	u$1.[illegible]	–	3.2
Mr Je Sp De	Tenneco $5	23½xd	11.8	[illegible]	–	7.1
June Dec	Do. 10pc Ln Stk. 91-5	155	13.12	[illegible]	–	f4.7
Mr Je Se De	Texaco $6.25	25⅝	31.7	[illegible]	–	6.4
Mr Je Se De	Time Inc. $1	51¾xd	24.02	[illegible]	–	1.1
Ja Ap Ju Oc	Transamerica $1	28¾	29.12	$1.[illegible]	–	5.0
Fe My Au No	Transworld Corp $5	946p	11.11	[illegible]	–	1.2
Mc Je Se De	TRINOVA Corp	18¾	9.11	[illegible]	–	1.6
Mr Je Se De	♥USX $1	19	30.10	[illegible]	–	3.5
Mr Jn Sp De	Utd. Technologies	22¾	19.3	$1.[illegible]	–	3.4
Fb My Ag No	US West‖	51¼	11.4	$3.[illegible]	–	5.8
Ap Jly De Jan	Waste Management $1	20	15.12	[illegible]	–	1.0
Mr Ju Se De	Whirlpool $1	16¾xd	25.01	[illegible]	–	–
Mr Je Se De	♥Woolworth $3½	26	19.11	$1.[illegible]	–	2.8

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
–	ABM Gold Corp ‖	242p	–	–	–	–
–	♥Abbot Energy Corp.	16p	–	–	–	–
–	♥Amer. Barrick Res.	11¾	–	–	–	–
–	American Lightwave	3½p	–	–	–	–
	♥Armeno	29p	–	–	–	–
–	Augustus Explo.	56p	–	–	–	–
Fb My Ag Nv	Bk. Montreal ‖	12	9.11	$2.00	–	7.4
Ja Ap Ju Oc	Bk. Nova Scot. ‖	580p	29.11	72c	–	5.5
Ap Jy Oc Ja	BCE ‖	17½	10.9	$2.44	–	6.1
May Nov.	♥Bow Valley‖	784p	15.12	♦40c	–	2.5
Ja Ap Jy Oc	♥Brascan‖	11⅞	28.10	88c	–	3.3
–	♥Breakwater Res.	242p	–	10c	–	1.8
Fe My Au No	Can. Imp Bank‖	941p	29.12	$1.08	–	3.1
July Jan.	Can. Pacific ‖	10⅝	29.6	60c	–	2.5
July Jan	Do. 4pc Deb £100	40	18.11	4%	–	10.0
–	Central Capital "A" ‖	479p	–	–	–	–
–	Danbus Res.	158p	–	–	–	–
Mr Jn Se De	Derlan Inds.	518p	3.6	12.75c	–	1.0
Ja.Sp.Dec.Mar	♥Echo Bay Mines	11⅜	–	20c	–	0.8
–	Energex Minerals	31½p	–	–	–	–
–	Euro-Asia Capital Ltd.	90p	–	–	–	–
–	♥Galactic Resources	276p	–	–	–	–
–	♥Geodome Res.	101p	–	–	–	–
–	Global Data Systems	17½p	–	–	–	–
–	Granges Explo‖	259p	–	–	–	–
–	♥Gt Pacific Res.	23½p	–	–	–	–
Ja Ap Jy Dc	♥Gulf Canada‖	795p	26.3	52c	–	3.0
Ap Jy Dc Ja	♥Hawker Sid Can‖	969p	15.11	$1.08	–	4.9
–	Henlys Group	428p	–	–	–	–
Mr Ju Sp Dc	♥Hudson's Bay ‖	952p	2.10	60c	–	2.8
Mr Je Se De	♥Imperial Oil‖	25⅞	26.11	s$1.60	–	2.7
Jan.Ag.J.B.	Inco‖	13⅛xd	23.01	US$0.40	–	1.7
–	♥Intl. Corona Res.	355p	–	–	–	–
Fe My Au No	♥Inland Nat. Gas $1	569p	30.12	60c	–	4.7
–	♥Lacana Mining Corp ‖	428p	–	Q15c	–	1.5
–	Madeleine Mines	214p	–	–	–	–
–	♥Muscocho Explo.	133p	–	–	–	–
–	♥Ntnl Business Syst. ‖	175p	–	–	–	–
–	♥Nevada Goldfields	117p	–	–	–	–
June Dec	♥Rio Algom	924p	5.11	31.30	–	6.2
Mr Je Se De	Royal Bk. Can. ‖	12⅜	20.10	$2.08	–	7.3
–	♥Royex Gold Mining ‖	207p	–	–	–	–
Se De Mr Ju	Seagram‖	32⅛	14.2	US$1.10	–	2.9
–	♥Sonora Gold Corp‖	287p	–	–	–	–
–	Spiral Eng.	22½p	–	–	–	–
–	Tara Pure Tech. Corp. ‖	81p	–	–	–	–
F My Au No	Toronto-Dom. Bk. ‖	12½	22.12	92c	–	3.2
–	♥Trans Atlantic Res ‖	28p	–	–	–	–
Ja Ap Jy Dc	♥Trans Can Pipe.	597p	1.12	$1.12	–	8.3
–	Varity Corp‖	164p	11.77	B-	–	–

BANKS, HP & LEASING

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Feb July	ANZ SA1	160	26.5	Q21c	5.1	5.1	6.4
Dec July	Allied Irish	215	23.11	†Q61.6%	3.0	6.4	7.1
Aug May	Algemene Fl.10	£11⅞	18.8	Q27%	♦	7.0	♦
June Dec	Anglo Irish	78	7.12	Q19.6%	1.2	6.3	20.5
April	Ansbacher (H.) 1p	60	23.3	2.0	–	4.2	–
Dec June	Banco de Bilbao S.A.	£33½	9.12	Q48%	♦	3.7	♦
March Sept.	Banco de Santander	£21¼	30.4	Q22%	2.4	1.9	21.3
July Dec	Bank Ireland IrE1	215	23.11	KQ15.3%	2.9	6.3	7.6

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

حكمة أمه للأصل

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- §§ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	......
Craig & Rose £1	663	......
Finlay Pkg. 5p	75	......
Holt (Jos) 25p	£11 7/8	......

IRISH

Fund 11¼% 1988	£100¼	......
Nat. 9¾% 84/89	£100¼	......
Fin. 13% 97/02	£114⅝	......

Arnotts	365	......
CPI Hldgs.	75	......
Carroll Inds.	162	......
Hall (R. & H.)	107	+2
Heiton Hldgs.	45	+1
Irish Ropes	120	......
Unidare	355	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	24
Cadburys	26
Charter Cons.	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	11N
Guardian	87
GKN	30
Hanson	14
Hawker Sidd.	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds.	62
Marks & Spencer	20
Midland Bk.	13
Morgan Grenfell	35

NEI	18
Nat West Bk.	60
P & O Dfd.	32
Plessey	16
Polly Peck	32
Racal Elect.	22
RHM	35
Rank Org Ord.	60
Reed Intnl.	45
STC	35
Sears	14
TI	35
TSB	12
Tesco	14
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	40
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	N
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

CONSTRUCTION CONTRACTS

Salisbury General Hospital

KIER CONSTRUCTION, part of the contracting division of Beazer, has won a £24.8m contract from the Wessex Regional Health Authority for the construction of phase 1 of the Salisbury District General Hospital at Odstock.

The hospital will be built adjacent to the existing hospital to a "nucleus" pattern with seven templates and two laboratory wings. The building, on a sloping site, is generally of three storeys, one level of which will be connected via a bridge link to the Odstock hospital. Construction is of reinforced concrete with a steel frame roof and brick cladding. Work is scheduled for completion in November 1991.

Miller wins £70m orders

MILLER CONSTRUCTION has won orders worth £70m. The work, throughout the UK, includes the new CTC College in Solihull, a £3.3m cash and carry for Batley's, a £4m civil engineering project for Savacentre Warehouse at Merton, a fast track fitout for Digital in Fareham at £3.3m together with the closing section of the Edinburgh bypass, worth £11.5m, at Gilmerton.

Birmingham convention centre

WIMPEY CONSTRUCTION UK has been awarded public and private sector orders totalling more than £18m. The largest, worth £5.7m, was placed by the Douglas Turner Joint Venture for the north superstructure of the Birmingham Convention Centre. It involves the erection of a complex reinforced concrete structure measuring 145 metres by 75 metres overall and rising 40 metres at its maximum above existing foundations.

Housing contracts for new and refurbished developments totalling some £3.3m have been awarded by Warwick District Council and Birmingham City Council. Wimpey is to build 61 homes on the old allotment area in Heathcote Road, Whitnash. The development will be composed of 14 three-bed and 38 two-bedroom houses; five one-bed and 20 two-bedroomed bungalows, and a block of four flats. The contract is due for completion early next year and is valued at £2.4m.

In Birmingham, the repair and refurbishment of multi-storey flats in Leyhill is being carried out under a contract valued at £802,000.

The Property Services Agency has awarded a £3.1m contract for a boiler house, works depot, water storage tank and associated buildings, external works including a new bore hole at Rampton Special Hospital, Retford, Nottinghamshire. The contract is due for completion in August 1989.

Cyclops Wharf development

Abbey National Homes has awarded *FAIRCLOUGH BUILDING* a contract worth over £15m to construct the Cyclops Wharf riverside development in London. This consists of eight apartment blocks, ranging from six to eleven storeys, and providing a total of 176 units, together with 24 town houses, a leisure complex, an underground car park and a retail unit. Situated in the London Docklands development zone, the scheme will involve reconstruction of the river wall to provide a walkway. Completion is scheduled for August 1989.

*

DEW GROUP, building and civil engineering contracting arm of Allied Partnership Group, has a batch of orders totalling over £10m. The building division has won orders totalling over £4m, ranging from a single-status dining facility at Woodford (£1.4m) for British Aerospace, to offices for Manchem, of Clayton, Manchester (£600,000). A £1.5m bridge at Ordsall Lane, Salford, for British Rail (Midland) is one of the contracts the civil engineering division has won, with others including North West Water (£700,000), Salford City Council (£440,000) and Unigate, totals over £4m.

*

A new reading room at Lambeth Palace, a £2m upgrading and extension of the Territorial Army Centre in Fulham, a new art gallery in Mayfair and a £1.5m new look for Soho offices are among contracts valued at £6.25m won by ASHBY & HORNER.

Tarmac builds three retail stores

Three retail stores are included in projects worth more than £17m awarded to TARMAC CONSTRUCTION. In the South-West the company has a £3m contract at Torquay for a two-storey store for Littlewoods and a £1.6m contract at Penzance for a single-storey store for B and Q. At Swansea a single-storey store and two-storey offices, for Norcros Estates, is valued at £750,000.

Major projects include bypass road and bridgeworks at Middlesbrough, for Cleveland County Council (£2.5m); refurbishing a swimming pool at Barry, South Glamorgan, for Barry Island Resort (£1.3m); and foundations, paving and buildings at Allscott, Shropshire, for British Sugar (£1.3m).

Other contracts include refurbishing a bank at Manchester, for the Royal Bank of Scotland (£541,000); alterations and refurbishment at Harrogate College, for North Yorkshire County Council (£495,000); and alterations to form two shops in Newport, Isle of Wight, for Hardanger Properties (£450,000).

Tarmac Refurb has a £1.9m contract for altering and refurbishing offices in Birmingham for the National and Provincial Building Society. The contract housing division has won contracts for work on homes at Bradford (£1.5m), Huddersfield (£827,000), Lichfield (£634,000) and Stockton-on-Tees (£541,000).

£11m curtain walling at BBC

CHAMEBEL, a curtain wall company recently acquired by the Sherburn-based Ward Group, has been awarded a contract worth £11m to supply curtain walling for the new BBC corporate headquarters in West London.

The contract involves the manufacture and erection of curtain walling designed specially for the proposed six-storey structure, which is currently being built on the site of the former White City Stadium. The curtain walling will be manufactured at Chamebel's plant at Vilvoorde, Belgium. The main contractor for the project is Balfour Beatty Building and the building is due to be completed early in 1990.

Edmonton Green police station

COSTAIN CONSTRUCTION has been awarded a £6.5m contract by Property Services, Metropolitan Police District, to construct Phase II of Edmonton Green police station, London N9. The work includes erection of a nine-storey building. Work has started, for completion in 22 months.

Ortem Developments has placed a £3.5m order with Costain to undertake an office development at 123-126 Chancery Lane, London WC2. The project will be undertaken in a number of phases, the first of which started last month, and will take about two years to complete. The first phase comprises demolition and reconstruction of 126 Chancery Lane which, on partial completion, will provide temporary premises for the branch of the Midland Bank, at present in 123/124 Chancery Lane. After the bank moves phase 2 starts and entails demolition and rebuilding, behind retained listed facades, of numbers 123 to 125.

On completion, Midland Bank will return to its original premises to fit out its offices and banking hall, when final finishes will be installed at 126. The ground and mezzanine floors of 125-126, together with the basement of 126, will be leased by Kennedy Brookes for use as a restaurant. Number 125 has been sold to Ortem by Kennedy Brookes. William Hill, who formerly occupied the ground floor of 126 will return to lease new betting shop premises in the basement of 126. Office accommodation willbe available on the first to fifth floors. The building will provide 32,000 sq.ft. English Heritage has given its approval and requires that the Chancery Lane elevation and certain ceiling be retained. Some architectural features will be removed before demolition.

DIARY DATES

PARLIAMENTARY

TODAY

Commons: Debate on *electricity* privatisation.

Motion on wages (Northern Ireland) order.

Motion on customs duties (ECSC) order.

Lords: Employment Bill, committee.

Betting, Gaming and Lotteries (Amendment) Bill, committee.

Select committee: Public accounts: subject, Northern Ireland Comptroller and Auditor General's report on Northern Ireland Appropriation Accounts, 1986-7. Witnesses: Mr Alan Elliot, Department of Health and Social Services, and Mr J. H. Parkes, Department of Education. (Room 16, 4.45 pm.)

TOMORROW

Commons: Debate on estimates relating to storm damage recovery scheme 1987, and assistance to the coal industry.

Motion on the general assistance grants (abolition) (Northern Ireland) order.

Lords: Multilateral Investment Guarantee Agency Bill, committee.

Employment Bill, committee.

Motion on Unemployment Benefit (Disqualification Period) Order, 1988.

Select committees: Parliamentary Commissioner for Administration: subject, reports of the Health Service Commissioner. Witnesses: DHSS officials (Room 8, 4.30 pm.)

Committee on a private bill: London Docklands Railway (Beckton). (Room 5, 10.30 am.)

WEDNESDAY

Commons: Local Government Bill, consideration of Lords amendments.

Motion on the Rate Support Grant Supplementary Report (England) 1983-84.

Motion relating to the Electricity Generating Stations and Overhead Lines (Inquiries Procedures) Rules.

Lords: Debate on the role of energy generation in sustaining economic growth.

Question on Government intentions regarding conflict in Palestine.

Select committees: Welsh Affairs: subject, Inward Investment. Witnesses: Committee of Welsh District Councils; Welsh Counties Committee. (Room 13, 10.45 am.)

Energy: subject, electricity privatisation. Witness: Mr Cecil Parkinson, Energy Secretary. (Room 8, 11 am.)

Education, Science and Arts: subject, aspects of Government expenditure relating to education and science. Witnesses: Mr Kenneth Baker, Education Secretary, and officials. (Room 6, 4.15 pm.)

Employment: subject, urban development corporations. Witnesses: the Bishop of Stepney and Manpower Services Commission officials. (Room 17, 4.15 pm.)

Home affairs: subject, broadcasting. Witnesses: British Satellite Broadcasting and Bank Organisation. (Room 15, 4.15 pm.)

Public accounts: subject, annual statement on major defence projects, control and management of development of major equipment. Witness: Mr Peter Levene, Ministry of Defence. (Room 16, 4.15 pm.)

Environment: subject, air pollution. Witness: Imperial Chemical Industries. (Room 20, 4.30 pm.)

Treasury and Civil Service: subject, duties of civil servants in relation to ministers. Witness: Sir Robin Butler, head of the Home Civil Service. (Room 8, 4.45 pm.)

Joint committee: subject, private bill procedure. Witness: Society of Parliamentary Agents. (Room 4, 5 pm.)

Committee on a private bill: London Docklands Railway (Beckton). (Room 5, 10.30 am.)

THURSDAY

Commons: Regional Development Grant (Termination) Bill, remaining stages.

Consolidated Fund (No.2) Bill.

Lords: Copyright Designs and Patents Bill, report.

Social Security Bill, third reading.

Question to Government on benefits expected to result to the UK economy from World Expo 88 to be held in Brisbane, Australia.

Select committee: Committee on a private bill: London Docklands Railway (Beckton). (Room 5, 10.30 am.)

FRIDAY

Commons: Private members' motions.

FINANCIAL

TODAY

COMPANY MEETINGS–

Barr (A.G.), 1306, Gallowgate, Glasgow, 11.00

Trusthouse Forte, Grosvenor House, Park Lane, W. 11.00

United Scientific, Savoy Hotel, Strand, W.C. 12.00

BOARD MEETINGS–

Finals:

BSR Intl.

Bensons Crisps

Heywood Williams

Low & Bonar

Palma Group

Persimmon

Suter

Wyevale Garden Centres

Interims:

High Point Services

Parker Knoll

DIVIDEND & INTEREST PAYMENTS–

Bell Bros. 2.2p

Chemical New York Gtd. Flg. Rate Sub. Nts. 1996 $186.46

Cons. Gold Fields Fin. Gtd. Flg. Rate Nts. 1995 £110.35

Croda Cosmetics & Toiletries 7½% Un. Ln. 1987/92 3¾pc.

Dixons Group 1.2p

Ellis & Everard 1.9p

Emhart Corpt. 20cts.

Hampson Inds. 0.4p

Hardys & Hansons 15.3p

Johannesburg Cons. Inv. 164.0746p

Kunick 0.65p

Lockheed Corpn. 25cts.

Moorgate Mercantile 0.65p

Prudential Corpn. Flg. Rate Nts. 1996 £216.83

Racal Electronics 1.085p

Rockwell Intl. 18cts.

Sainsbury (J.) 7¼% 1st. Mtg. Deb. 1987/92 3⅝pc.

Southern Business Group 2.9p

TSB Channel Islands 2.8p

Telecomputing 0.55p

TOMORROW

COMPANY MEETINGS–

Associated Fisheries, St. Ermin's Hotel, Caxton Street, S.W. 12.00

Clier, Institute of Chartered Accountants Hall, Moorgate Place, E.C. 10.30

BOARD MEETINGS–

Finals:

Abbeycrest

Allied Partnership Group

Anglo American Inds.

Blagden Inds.

Bluebird Toys

Charterhouse

City Merchant Developers

Commercial Bank of Near East

Dares Estates

Expamet Intl.

Lambert Howarth

Leisure Invs.

Paragon Comms.

Pentos

Perry Group

Save & Prosper Gold Fund

Spong Hldgs.

Interims:

Continental Microwave

Green (E.) & Partners

Marcol Group

Merivale Moore

Miller & Santhouse

Precious Metals Trust

Prestwich Hldgs.

Sinclair (William)

DIVIDEND & INTEREST PAYMENTS–

Bank of Ireland Und. Flg. Rate Prim. Cap. Nts. $203.80

Chase Manhattan Flg. Rate Nts. 2009 $200.64

Hongkong & Shanghai Banking Prim. Cap. Und. Flg. Rate Nts. Sec. Ser. $101.11

Tenneco 76cts.

Western Selection 1.9p

WEDNESDAY MARCH 9

COMPANY MEETINGS–

London Scottish Bank, St. James's Club, St. James's House, Charlotte Street, Manchester. 12.00

Lookers, Lancashire County Cricket Club, Old Trafford, Stretford, Manchester. 12.00

Reliant Motor, The Belfry Hotel, Wishaw, N. Warwicks. 12.00

Saatchi & Saatchi, Park Lane Hotel, Piccadilly, W. 12.00

BOARD MEETINGS–

Finals:

Abbott Mead Vickers

Anglo American Gold Inv.

BICC

Bedford (William)

Cityvision

Federated Housing

Hewitt (J.)

Hillsdown Hldgs.

Jourdan (Thomas)

Liberty Life Assoc. of Africa

Miss World Group

Nichols (J.N.)(Vimto)

Pittard Garnar

Tyne Tees Television

Ultramar

Interims:

Bejam Group

Fletcher Challenge

Harrisons Malaysian Plantations

DIVIDEND & INTEREST PAYMENTS–

Anheuser-Busch 15cts.

Christiania Bank OG Kreditkasse Flg. Rate Sub. Nts. 1994 $294.97

Do. Flg. Rate Sub. Nts. 2001 $288.65

First Interstate Overseas Gtd. Flg. Rate Sub. Nts. 1995 $202.22

Gold Fields of South Africa 65cts.

Midland Intl. Finance Service Gtd. Flg. Rate Nts. 1999 $291.81

Nobo Group 1.76p

Royal Bank of Canada Flg. Rate Deb. Nts. 2005 $203.80

Royal Trustco Flg. Rate Sub. Cap. Debs. 2005 $366.23

THURSDAY MARCH 10

COMPANY MEETINGS–

Grand Metropolitan, Hotel Inter-Continental, Hamilton Place, W. 11.00

Warner Estate, Claridge's, Brook Street, W. 12.15

BOARD MEETINGS–

Finals:

Antler

Antofagasta Hldgs

Arlington Securities

Coats Viyella

Collins (William)

Copymore

General Mining Union Corpn.

Jacob (W.& R.)

Ladbroke Group

Laidlaw Thomson Group

Law Debenture Corpn.

MTM

Phicom

Robinson (Thomas)

Rover Group

TI Group

USDC Inv. Tst.

DIVIDEND & INTEREST PAYMENTS–

Agricultural Mortgage Corpn. 6¾% Deb. 1985/90 3⅜pc.

Allied-Signal 45cts.

Chevron Corpn 60cts.

Cambn Corpn. 5cts.

Dubilier Intl. 2p

Dun & Bradstreet Corpn. 37.5cts.

Exxon Corpn. 50cts.

General Motors Corpn. 125cts.

Grace (W.R.) 35cts.

Houston Inds. 72cts.

Intl. Business Machine Corpn. 110cts.

London Scottish Bank 1.25p

Mobil Corpn. 55cts.

Multibanco Comermex Flg. Rate Sub. Nts. 1992 $208.54

Nedkbre Finance Gtd. Flg. Rate Nts. 1998 $193.28

Park Food Group 1.7p

Petrson 5¼% Cnv. Bds. 2001 2⅝pc.

Scott Paper 37cts.

Squibb Corpn. 40cts.

Sun Co. 75cts.

Travelers Corpn. 60cts.

Treasury 5½% 2008/12 2¾pc.

Warner-Lambert 54cts.

Wells Fargo Flg. Rate Sub. Nts. 1994 $205.38

FRIDAY MARCH 11

COMPANY MEETINGS–

Brunner Investment Trust, 10 Fenchurch Street, E.C. 12.45

French (Thomas), Lancashire County Cricket Club, Old Trafford, Stretford, Manchester. 11.00

Yorkshire Television, Queen's Hotel, City Square, Leeds. 12.15

BOARD MEETINGS–

Finals:

Alliance Trust

De Beers Cons. Mines

New Darien Oil

Rockwood Hldgs.

Interims:

Black & Decker

Intereurope Technology Services

Inter City Hldgs.

Wessanen (Koninklijke)

DIVIDEND & INTEREST PAYMENTS–

Bankers Trust New York Flg. Rate Sub. Nts. 2000 $208.86

Boeing 35cts.

Caird (A.) 1p

Elandsrand Gold Mining 45cts.

French (Thomas) 1.725p

Gardner (J.) Group 0.75p

Lydenburg Platinum 61cts.

Monsanto 70cts.

Newmark (Louis) 6.3p

Primadona 1.25p

South African Land & Expln. 36cts.

Time Inc. 25cts.

Vaal Reefs Expln. & Mining 950cts.

Western Deep Levels 210cts.

Do. 8 210cts.

Trade Fairs and Exhibitions: UK

Current The Stationery Industry Exhibition - STATINDEX '88 (01-385 1200) (until March 9) **Olympia**

Current Fast Food Fair (01- 948 9900) (until March 8) **G-Mex Centre, Manchester**

Current British Ski Trade Exhibition - SKI-EX (0932 24661) (until March 9) **Exhibition Centre, Harrogate**

Current Retail and Financial Services Exhibition and Conference - *EFTPOS* (0734 794161) (until March 10) **Novotel, London**

Current Daily Mail Ideal Home Exhibition (01-222 9341) (until April 4) **Earls Court**

March 13-15 British Footwear Fair (01-739 2071) **NEC, Birmingham**

March 15-26 Antiques Fair (04447 2514) **Old Town Hall, Chelsea**

March 15-17 London Food Exhibition (01-486 1951) **Wembley Conference Centre**

March 16-19 European Technology & Innovation Opprtunities - EUROTECH SCOTLAND **Scottish Exhibition Centre, Glasgow**

March 18-20 Midlands Franchise & Business Opportunity Exhibition (0202 581122) **NEC, Birmingham**

March 20-22 International Cycle & Leisure Fair - CYCLE (01-390 2211) **Olympia**

March 21-24 Materials Testing Exhibition (07072 75641) **NEC, Birmingham**

March 23-25 Fashion Fabrex (01-385 1200) **Olympia**

March 22-24 Electronic Printing and Publishing Exhibition (01-647 1001) **Olympia**

March 29-31 Scottish International Food & Drink Sales Equipment Exhibitions (031-225 5486) **Scottish Exhibition Centre, Glasgow**

Overseas Exhibitions

March 8-12 International Business Show (01-486 1951) **Tokyo**

March 12-14 International Fashion Shoe Exhibition - MIDEC (01-235 5566) **Paris**

March 13-19 International Spring Fair (01-491 8552) **Leipzig**

March 20-24 Agriculture, Irrigation & Agri-Industry Exhibition - SAUDI AGRICULTURE (01-486 1951) **Riyadh**

March 21-25 International Gift, Jewellery & Stationery Spring Show (Taipei(02)725 1111) **Taipei**

April 5-11 Anglo-Jordanian Trade Fair (01-409 0766) **Amman**

Business and Management Conferences

March 10-11 VentureCorp: Leveraged buy-outs in Europe (01-734 1343) **Dorchester Hotel, London W1**

March 10-11 Acquiring in Europe (01-637 4383) **Marriott Hotel, London**

March 11-12 Eight European Business Schools attack the American MBA market (US: 212-418-5500). **Intercontinental Hotel, New York**

March 12 Wye College: A return to the land? (0233 812401) **Ashford, Kent**

March 15 Electronic Publishing Services: Evaluating investment and acquisition opportunities in the information industries (01-490 1185) ***The City Conference Centre, London EC3***

March 15 Institute of Directors: Retirement - an outdated concept (01-839 1233) ***116 Pall Mall, London SW1***

March 15-16 Frost & Sullivan's 14th semiannual conference on political risk (01-730 3438) **Inn on the Park, London W1**

March 16 Institute of Directors: Corporate identity, culture and communication - does your company identity work for you? (01-839 1233) **116 Pall Mall, London SW1**

March 17 D.C.Gardner: Short termism in the stock markets (01-283 7962) **5-8 New Street, London EC2**

March 21 Institute for International Research: *Compliance with the capital adequacy regulations* (01-434 1017) **Park Lane Hotel, London W1**

March 21-22 Euromoney: Futures and options (01-236 3288) **Grosvenor House, London W1**

March 24 The Electricity Consumers' Council: Privatising electricity - a chance for change? ***The Hotel Russell, London WC1***

March 24-25 Financial Times Conferences: Technology in the international securities markets (01- 925 2323) ***Hotel Inter-Continental, W1***

March 24-25 DRI Europe: International economic outlook conference - 1988/90 The years of living dangerously, world imbalances, currencies and equities (01-222 9571) **Hyatt Regency Hotel, Brussels**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices March 4

[illegible]

MONTREAL

Closing prices March 4

[illegible]

Total Sales 5,282,336 shares

OVER-THE-COUNTER Nasdaq national market, Closing prices, March 4

Continued from Page 31

[illegible]

INDICES

NEW YORK DOW JONES

	Mar. 4	Mar. 3	Mar. 2	Mar. 1	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
◆Industrials	2057.86	2063.49	2071.29	2070.46	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	91.22	91.25	90.94	90.82	95.51 (9/2/87)	81.26 (19/10/87)	-	-
Transport	849.79	849.94	838.37	832.59	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.37	182.73	182.49	181.72	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2076.76 (2085.30) Low 2033.49 (2048.41)

STANDARD AND POOR'S	Mar. 4	Mar. 3	Mar. 2	Mar. 1	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite †	267.30	267.88	267.98	267.22	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	308.98	309.34	309.68	308.81	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	23.86	24.04	23.95	23.83	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	150.43	150.70	150.68	150.18	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	293.74	292.51	290.92	288.51	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	373.36	372.81	370.38	367.32	455.26 (26/8/87)	291.90 (28/10/87)	455.26 (26/8/87)	54.87 (31/10/72)

	Feb. 26	Feb. 19	Feb. 5	year ago (approx.)
Dow Industrial Div. Yield	3.41	3.42	3.63	3.02
	Mar. 2	Feb. 24	Feb. 17	year ago (approx.)
S & P Industrial div. yield	2.96	2.99	3.05	2.58
S & P P/E ratio	15.13	14.92	16.29	20.82

TRADING ACTIVITY

†Volume Millions	Mar. 4	Mar. 3	Mar. 2
New York	201.410	203.310	199.630
Amex	15.100	18.545	11.716
OTC	141.220	144.206	146.080

NEW YORK	Mar. 4	Mar. 3	Mar. 2
Issues Traded	1,962	1,934	1,968
Rises	670	779	908
Falls	812	701	560
Unchanged	480	454	500
New Highs	22	22	25
New Lows	4	7	5

CANADA

TORONTO	Mar 4	Mar. 3	Mar. 2	Mar. 1	1987-88 High	1987-88 Low
Metals & Minerals	2655.4	2632.8	2615.2	2600.5	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3251.5	3231.2	3228.1	3212.9	4112.9 (13/8/87)	2837.8 (28/10/87)
MONTREAL Portfolio	1619.54	1611.79	1617.99	1612.10	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Varity Corp	8,092,900	3¼	+ ⅛	Lilco	1,887,700	10	+ 1⅛
Cigna Corp	7,856,200	49	+ ½	Amer Cyanamid	1,884,700	52¼	- 1
Texas Utilities	4,810,800	28⅝	—	General Electric	1,564,800	44⅝	- ⅝
Allegis	2,218,400	78½	+ 1⅛	Koppers	1,505,700	53⅛	+ 1⅛
Fed Dept Stores	2,095,600	67¼	+ ⅛	AT&T	1,444,500	29	+ ⅛

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Mar. 4	Mar. 3	Mar. 2	Mar 1	1987-88 High	1987-88 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1298.5	1293.4	1285.9	1273.9	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	610.7	606.5	595.8	590.2	1462.4 (14/10/87)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	171.28	170.41	169.08	168.66	232.19 (22/9/87)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	4893.9	4874.3	4854.5	4851.6	5412.2 (15/8/87)	3503.8 (18/12/87)
DENMARK						
Copenhagen SE (3/1/83)	194.28	193.97	192.44	191.17	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND						
Unitas General (1975)	587.6	584.8	584.0	582.2	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE						
CAC General (31/12/82)	298.0	299.6	303.4	306.9	460.4 (26/3/87)	251.3 (29/1/88)
Ind. Tendance (31/12/87)	107.8	107.7	108.0	110.5	112.3 (25/2/88)	89.7 (29/1/88)
GERMANY						
FAZ Aktien (31/12/58)	455.02	457.66	456.83	458.95	676.84 (6/1/87)	396.40 (29/1/88)
Commerzbank (1/12/53)	1388.7	1397.6	1395.7	1404.4	2061.1 (17/8/87)	1207.9 (29/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2474.38	2468.48	2462.13	2454.71	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY						
Banca Com. Ital. (1972)	489.39	499.83	499.85	504.91	767.34 (30/4/87)	423.91 (9/2/88)
JAPAN **						
Nikkei (16/5/49)	25615.62	25596.31	25682.82	25435.90	26646.43 (14/10/87)	18544.08 (13/1/87)
Tokyo SE New (4/1/68)	2109.48	2106.20	2107.35	2089.11	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS						
ANP-CBS General (1970)	238.0	241.0	238.8	235.6	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	192.5	196.8	192.3	187.5	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY						
Oslo SE (4/1/83)	372.37	372.04	366.01	363.65	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE						
Straits Times Ind. (30/12/66)	920.6	912.3	892.2	890.2	1505.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1252.0	1265.0	1249.0	2499.8 (3/8/87)	1212.0 (29/2/88)
JSE Industrial (28/9/78)	(u)	1438.0	1438.0	1437.8	2266.0 (16/10/87)	1387.0 (13/2/88)
SPAIN						
Madrid SE (30/12/85)	263.37	263.48	261.33	257.83	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN						
Jacobson & P. (31/12/56)	2614.7	2606.8	2587.2	2568.1	3267.1 (8/10/87)	2068.6 (10/11/87)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	530.2	533.8	530.0	527.0	729.7 (5/10/87)	450.9 (10/11/87)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	443.9	444.3	442.6	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday February 27: Japan Nikkei 25284.87 . TSE 2077.84

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals — 500; (c) Closed. (u) Unavailable.

Closing prices, March 4

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.7	19	254	21⅞	21⅝	21⅝	+⅛
37¼	21	AFG s	.16	.4	13	1115	u37⅝	36⅝	37½	+⅞
27	10½	AGS s			15	760	19⅛	18¼	18⅝	−⅝
9⅝	3¼	AM Intl				339	4¼	4⅛	4¼	+⅛
65½	25¾	AMR			13	11578	43⅞	42	43⅞	+1
27¼	24⅞	ANR pf 2.67		10.		2	26¼	26¼	26¼	−¼
12¼	6⅝	ARX			8	27	8⅛	8	8⅛	+⅛
73½	40⅛	ASA	3	6.3		728	48⅛	47½	47¾	+1
22⅝	9½	AVX			14	418	17¼	16⅞	17⅛	+⅝
67	40	AbtLab	1	1.9	19	3031	51⅝	50⅝	51⅜	−⅛
26	15⅝	Abitibi g				26	18⅛	18¼	18⅛	+⅜
16¾	8½	AcmeC .40		3.3		84	11⅛	11	11	−⅛
20	14⅛	AdaEx 3.05e		18.		154	16⅞	16⅝	16½	−⅜
19½	6⅞	AdamM .24		2.0	10	36	12⅝	12¼	12¼	−⅛
24⅞	7½	AMD				3625	12½	12	12⅛	−¼
56⅝	28¼	AMD pf	3	8.2		15	36½	36	36½	
11⅞	4⅝	Adobe			12	55	7	6⅞	7	
20½	16¼	Adob pf 1.84		10.		38	17¾	17¼	17¾	
21¾	17½	Adob pf 2.40		12.		96	20½	20⅝	20⅝	
15	6¼	Advest .12a		1.5	8	23	7⅝	7⅝	7⅝	+⅛
67⅞	43½	AetnLf 2.16		5.5	6	1902	47⅞	47½	47⅝	−⅛
98	90¼	AetL pfC6.05e		6.5		21	93	93	93	
83½	41	AflPub .40		.6	35	211	62	61½	61⅝	−⅝
26⅞	13	Ahmans .88		5.5	8	2965	16⅛	15⅝	15⅞	−¼
5⅝	1¾	Aileen				63	2⅛	2	2⅛	
58⅞	28	AirPrd	1	2.1	16	1449	48	47⅜	47½	−⅛
36	11⅛	AirbFrt .60		3.4	19	650	18⅛	17½	17½	−¼
18½	6⅝	Airgas			10	46	12⅝	12¼	12¼	
19½	15⅛	AirleaseR.16e		12.	16	30	19	18½	18½	−½
15-32	5-16	AlMoan			36	126	13-32	⅜	⅜	
27¾	25¾	AlaP pf2.04e		3.9		1	25½	d25½	25½	−⅜
10⅝	7⅝	AlaP dpf.87		9.3		146	9⅜	9¼	9⅜	+⅛
97	77	AlaP pf 8.28		9.7		z219	80	80	85	+¼
27⅜	12¼	AlskAir .16		.9	24	3201	17⅝	16⅝	17	
29⅝	14¾	Alberto .50		1.0	21	601	u31⅜	28⅝	31⅜	+2⅞
24	12⅝	AlbCul .30		1.5	15	603	23⅝	21½	22¾	+1⅛
24	20¼	Albtsn s .80		2.0	15	1164	28⅝	27⅝	28¼	−⅛

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	5¾	PeryDr				44	6⅞	6¾	5⅞	+⅛
40	14¾	Petrie	.20	.9	16	462	22¾	21¾	22½	−⅛
21¼	10⅞	PtPar	n2.08	10.	10	149	20¼	19⅞	20¼	−⅛
33½	20½	PetRs	3.16e	13.		33	24¼	23⅞	24¼	+⅜
18⅞	15	PetRs	pf1.57	9.5		19	16½	16⅜	16½	
2⅛	¾	Ptrinv	.22e	18.		16	1¼	1⅛	1¼	+⅛
78½	40	Pfizer	2	3.6	14	6963	56¼	55	55⅞	−1¹
58	23½	PhelpD	.60	1.5	9	6739	40⅞	38½	40¼	+1⅝
74	37	PhlpD pf	5	5.2		107	96	95½	96	+2⅞
23¼	16¾	PhilaEl	2.20	12.	6	2700	18⅞	18½	18⅝	+⅛
48⅛	37½	PhE	pfB4.30	10.		z100	41	41	41	−1
40	38½	PhE	pfC4.40	10.		z60	42	42	42	+½
87⅛	62¼	PhE	pfE 7	9.9		z40	71½	70½	70½	
97	80	PhE	pfG8.75	10.		z700	87	86½	87	+1
106	90	PhE	pfS9.50	10.		z250	92⅞	91	91	−2¹
13¾	11	PhE	pfR1.41	11.		30	12⅞	12¼	12⅞	
13	9⅞	PhE	pfP1.30	11.		39	11⅝	11½	11⅝	
87⅞	65⅞	PhE	pfH7.85	10.		z870	76	74½	76	+1¹
12⅞	9¾	PhE	pfO1.28	11.		24	11½	11⅜	11½	
110	106½	PhE	pfM15.25	14.		z1160	110	108	110	+2
108	88	PhE	pfL9.52	9.8		z50	97	97	97	+1⅝
102½	79	PhE	pfK9.60	10.		z700	92½	91½	92½	+⅛
86	64	PhE	pfJ7.80	11.		z780	74½	73¾	73¾	
17⅞	12⅞	PhilSub	.04	5.9	14	65	16⅞	15⅝	15⅞	−⅛
124½	77⅞	PhilMr	3.60	3.9	12	4173	93⅝	92	92¾	−⅛
23⅞	12½	Philplo	.44	2.1	14	525	20½	20⅛	20⅜	−⅛
27⅛	12⅝	PhilGl	.35e	5.9	7	795	14½	14¼	14½	+⅛
18¾	10	PhilPet	.60	4.0	250	3143	16	14⅝	15	+⅛
24¾	22⅞	PhlPt	pf1.75e	7.4		1	23⅝	23⅝	23⅝	

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	5.1	11	5129	60	58½	58⅞	−2¼
56⅛	52⅞	Xerox	pf5.45	10.		42	52½	52⅜	52⅜	
32⅞	18⅛	XTRA	.64	2.0	10	561	32⅞	32	32¼	
28¾	19½	XTRA	pf1.94	6.8		3	u28½	27¼	28½	+1²
33⅞	17½	Yoddu			10	79	28¼	27⅝	27⅝	−⅜
7¼	2¼	Zapata				438	3⅛	3	3	
67	13½	Zayre	.40	1.8	11	4722	23	22⅛	22⅞	−⅛
16⅛	8⅜	Zemex	.40	3.9	13	4	10¼	10⅛	10¼	−⅛
33⅝	16	ZenithE				1417	18⅝	18	18⅝	+⅝
13½	2½	ZenLab				401	3	2¾	2⅞	
24	13½	ZenNtl	.80	4.6	0.	158	17⅝	17½	17½	
20⅝	11⅝	Zero	.36	2.5	15	42	14¼	14⅛	14⅝	−⅛
30¾	15	Zurnln s	.80	3.1	16	444	22⅜	22	22¼	
10⅝	7⅛	Zweig	1.08e	11.		522	9⅞	9¾	9⅞	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, March 4

OVER-THE-COUNTER

Nasdaq national market, Closing prices, March 4

Continued on Page 29

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Politics to dominate US as Britain waits for Budget

LAST WEEK produced some unexpected and confusing economic data on both sides of the Atlantic. This is likely to be a week when politics are more important than economic news in the US, and the UK enters a becalmed period ahead of the Budget.

In the race for the White House one of the most important dates in the presidential election calendar takes place on Tuesday, with 20 southern states holding primary elections. Market moving news is likely to be scarce, and reaction to last week's news showed dealers are in no mood to take positions ahead of the US January trade figures on March 17 and the UK Budget. Sterling was strong and the dollar was virtually unmoved.

The UK January trade figures, announced Monday, were at least $500m worse than the City expected, and on Friday the US employment data for February were strong enough to suggest the US trade deficit may not show any quick improvement.

Unemployment fell to 5.7 p.c. from 5.8 p.c., while non-farm employment rose a much higher than expected 531,000, compared with market forecasts of 200,000, and 107,000 in January.

Mr Rupert Thompson, international economist at Morgan Grenfell, said the figures quash any fears of a recession in the US.

The dollar weakened on the news, but then recovered to finish above the day's lows. According to Morgan Grenfell weak employment numbers are likely next month as some of the very large gains in particular sectors look unsustainable.

Strong employment growth was seen in the service sector, while manufacturing employment increased only 0.1 p.c., or 20,000. This is not encouraging for US export performance, and suggests that more imports could be sucked in, through rising consumption among non-manufacturing employees.

On this basis Morgan Grenfell expects a rise in the US trade deficit to $13bn in January, from $12.2bn in December.

Like the US employment statistics, the UK trade deficit for January left the market believing that the sharp rise was the result of distortions. The sharp fall in exports to the rest of the European Community was particularly suspicious, and after a nervous initial setback sterling showed little reaction.

The pound shrugged off the trade news, and continued to benefit from favourable interest rate differentials, between London and Frankfurt. The Bank of England intervened on Thursday and heavily on Friday, to prevent sterling rising above DM3.00.

There is no very important US economic news this week, but retail sales and producer prices for February will be published on Friday.

Retail sales are expected to rise about 0.8 p.c. and producer prices 0.2 p.c. According to Warburg Securities retail sales will rise 0.6 p.c., while Phillips and Drew, James Capel, and Morgan Grenfell expect 0.7 p.c.

This compares with a rise of 0.5 p.c. in January, and if the market average of 0.8 p.c. proves correct the year-on-year increase will be 8.8 p.c. Producer prices in February are generally expected to rise 0.2 p.c. to 0.3 p.c., against 0.4 p.c. in January.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

CURRENCY FUTURES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 34,956

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Savewise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 4.00%. Mortgage 9.625% - 10.%

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 4 1988					THURSDAY MARCH 3 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	104.77	+0.4	87.56	95.95	4.36	104.40	87.55	95.65	180.81	85.36	112.46
Austria (16)	88.04	+0.5	73.58	77.32	2.71	87.58	73.44	76.99	102.87	84.35	94.84
Belgium (48)	133.20	-0.8	111.32	116.28	4.11	134.27	112.59	117.55	134.89	94.68	110.88
Canada (126)	118.39	+0.0	98.94	107.72	3.05	118.33	99.23	107.41	141.78	98.15	124.28
Denmark (38)	120.46	+0.5	100.67	105.80	2.78	119.91	100.55	105.56	124.83	98.18	110.96
Finland (23)	116.33	-0.2	97.22	99.83	1.99	116.59	97.77	100.15	–	–	–
France (122)	85.64	+0.1	71.57	76.81	3.90	85.53	71.73	76.98	121.82	72.77	114.82
West Germany (94)	77.53	-0.1	64.79	68.10	2.72	77.57	65.05	68.42	104.93	67.78	89.94
Hong Kong (46)	95.89	+0.5	80.13	96.01	4.42	95.37	79.98	95.50	158.68	73.92	110.06
Ireland (14)	116.84	+0.7	97.65	104.43	4.20	116.02	97.29	104.00	160.22	93.50	121.59
Italy (94)	73.51	-0.6	61.43	68.35	2.82	73.98	62.04	69.07	112.11	62.99	96.74
Japan (457)	162.97	+0.4	136.20	132.63	0.53	162.28	136.08	132.53	162.97	100.00	120.22
Malaysia (36)	115.60	+0.6	96.61	114.62	3.26	114.94	96.38	114.18	193.64	93.76	135.21
Mexico (14)	176.54	+0.8	147.54	441.06	0.81	175.16	146.88	437.60	422.59	90.07	130.04
Netherland (37)	103.42	+0.0	86.44	89.52	5.09	103.41	86.71	89.88	131.41	87.70	105.80
New Zealand (23)	71.38	+3.3	59.65	57.05	5.71	69.12	57.96	55.29	138.99	64.42	92.16
Norway (24)	111.81	-0.3	93.44	96.90	3.15	112.12	94.02	97.09	185.01	95.51	115.86
Singapore (26)	108.63	+1.3	90.79	100.90	2.38	107.24	89.93	99.60	174.28	81.21	118.60
South Africa (61)	124.81	-0.4	104.31	76.86	5.43	125.32	105.09	77.17	198.09	100.00	130.91
Spain (43)	143.21	+0.0	119.68	123.08	3.41	143.25	120.12	123.55	168.81	100.00	115.12
Sweden (32)	113.85	+1.0	95.15	101.12	2.68	112.72	94.52	100.37	136.64	88.50	108.89
Switzerland (53)	84.25	-0.3	70.41	73.07	2.32	84.47	70.83	73.66	111.11	73.65	96.88
United Kingdom (327)	134.59	+1.5	112.48	112.48	4.23	132.57	111.17	111.17	162.87	99.65	127.17
USA (585)	109.07	-0.2	91.15	109.07	3.46	109.30	91.66	109.30	137.42	91.21	119.94
Europe (965)	106.54	+0.7	89.04	91.89	3.75	105.84	88.75	91.61	130.02	92.25	110.76
Pacific Basin (679)	158.05	+0.4	132.09	129.73	0.71	157.36	131.96	129.60	158.77	100.00	119.48
Euro-Pacific (1644)	137.46	+0.5	114.88	114.66	1.66	136.77	114.69	114.48	143.65	100.00	116.01
North America (711)	109.57	-0.2	91.57	109.01	3.43	109.78	92.06	109.21	137.55	91.68	120.17
Europe Ex. UK (638)	89.13	-0.1	74.49	78.92	3.32	89.23	74.83	79.31	111.97	78.89	100.62
Pacific Ex. Japan (222)	98.75	+0.7	82.53	92.32	4.34	98.10	82.26	91.73	164.03	82.92	110.38
World Ex. US (1845)	136.70	+0.5	114.25	114.15	1.73	136.05	114.08	113.97	143.38	100.00	116.48
World Ex. UK (2103)	125.18	+0.1	104.62	112.36	2.10	125.03	104.85	112.45	138.82	100.00	116.94
World Ex. So. Af. (2369)	126.01	+0.3	105.31	112.63	2.28	125.69	105.40	112.58	139.47	100.00	117.76
World Ex. Japan (1973)	108.29	+0.1	90.50	102.05	3.59	108.15	90.69	102.04	134.22	92.98	116.71
The World Index (2430)	126.01	+0.5	105.31	112.36	2.30	125.69	105.40	112.32	139.73	100.00	117.84

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Amendments to indices for March 3 applied to the following: Australia, the Regional Indices and the World Index.
CONSTITUENT CHANGE: Encor Energy Inc. has been deleted (Canada).

MONEY MARKETS

Interest rates favour the pound

CITY ECONOMISTS have been scratching their heads for some time, trying to decide the strategy of Mr Nigel Lawson, the Chancellor, in this month's Budget.

It has been assumed Mr Lawson will cut taxation, and economists tend to feel he will produce at least one startling measure, taking the City by surprise.

Mr Christopher Johnson, chief economic adviser to Lloyds Bank, says the main reform is likely to be the abolition of the married allowance, and the introduction a partially transferable allowance and increased single allowances to make up for it.

UK clearing bank base lending rate 9 per cent from February 2

The London money market drifted along very quietly, in the pre-Budget doldrums. Interest rates eased slightly, with three-month interbank declining to 9¾-9⅝ p.c. from 9⅞-9¾ p.c. on the strength of sterling, but not changing the view that UK bank base rates will not fall below 9 p.c. in the foreseeable future.

Expectations that the Bank of England will continue to run a policy of keeping interest rates relatively high is the main attraction to overseas investors in the pound.

Credit Suisse First Boston recently described sterling as a higher yielding D-Mark, and advised investors to exploit the yield differential. CSFB said the exchange rate will be held broadly constant for some time to come, and concluded there is good value in switching from West German bonds into gilts, and very good value in the money market, where according to CSFB the differential stands at an unjustifiable 6 percentage points.

FT LONDON INTERBANK FIXING

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

LONDON MONEY RATES

Contracts & Tenders

FRANCE
LOIRE VALLEY
SYNDICAT MIXTE DU PAYS BAUGEOIS
INVITATION TO TENDER

NATURE OF MARKET

GOVERNING BODY:

"SYNDICATE MIXTE DU PAYS BAUGEOIS"

TENDER PROCEDURE:

APPORTIONMENT OF ESTATE

TIME ALLOWANCE FOR STAGE 1 - INVESTIGATING FEASIBILITY OF PROJECT

INTER-BOROUGH ASSOCIATION OF BAUGE AREA

SECTION III

FINANCIAL TIMES SURVEY

A far-reaching economic reform programme, introduced in 1986 by President Ibrahim Babangida is gradually taking effect. But austerity measures are unpopular and the programme could be undermined by an inflationary budget, says Africa Editor, **Michael Holman.**

Economic and social pressures are likely to give President Babangida his most challenging year since he took office in a bloodless coup in August, 1985. Despite present efforts to promote non-oil exports, oil remains the lifeblood of the Nigerian economy.

CONTENTS

☐ *Pictures: Ashley Ashwood; graphics, Bob Hutchison and Joe Cummings.*

Nigeria

Demanding year ahead

TESTING TIMES lie ahead for the military government of President Ibrahim Babangida.

A faltering in the implementation of the country's economic recovary programme raisas doubts about the likelihood of reaching greement with the International Monetary Fund (IMF), with which the administration is currently negotiating.

The government's political honeymoon with Nigerians (and the press) is coming to an end as austerity bites deeper. A disquieting undercurrent of religious tension between the country's Christian and Moslem communities is worrying government officials and religious leaders alike. Trade unions are becoming restless and the business community expects a spate of wage claims and labour disputes. The good food harvests which have helped cushion the impact of economic reforms have wilted in the face of a serious drought which affects much of northern Nigeria.

All these factors combine to present the President with his most challenging year since he took office in a bloodless coup in August 1985.

In the space of two and a half years, General Babangida has presided over a process which is leading to a radical transformation of Nigeria. The 66 per cent devaluation of the Naira in September, 1986, (and regular foreign exchange anctions which keep the currency realistically valued), the abolition of the corrupt and inefficient system of import licences accompanied by tariff reforms, and the dismantling of agricultural commodity boards which fixed prices at artificially low levels, have created a healthier environment for industrialists and farmers alike.

The first admittedly tentative steps have been taken in what will be Africa's largest privatisation exercise, affecting nearly 90 organisations in which Federal or state government shares will be sold or reduced, such as hotels, or which will be required to operate on a commercial footing — such as the Government-owned telephona and electric power authorities.

It is a programme which won the endorsement of the IMF (an essential precondition to the rescheduling of Nigeria's $26bn external debt), the backing of the World Bank, and the support of trading partners who had become increasingly impatient at earlier governments' failure to pay mounting trade arrears.

The political and social risks are high. In abandoning the import licensing system the government surrendered not only a valuable form of patronage. It also antagonised an influential group — particularly strong in the politically sensitive north — which sold the licences at hugh premiums.

The introduction of a competitive exchange rate — in 1980, the Naira was nearly on par with the pound (compared to over N7 today) — changed overnight the life style and living standards of Nigeria's middle-class — which inclndes army officers.

Annual trips to London or New York, a car, television, education abroad soon became impossible as fares more than donbled and prices for imported goods soared. Nigeria, once notorious as a "throw away" society, adopted what the President has termed a "maintenance culture".

Why, it may be asked, has Nigeria's Armed Forces Ruling Council, the governing hody, taken these risks? Partly out of the courage of the conviction that reform of a society, which mismanaged the enormous oil wealth of the late 1970s and early 1980s, was long overdna. And partly because there is no obvious alternative, as illustrated by the economic policy of General Buhari, who offered austerity but no long-term strategy, and who was deposed hy President Babangida.

Painful as the structural adjustment programme is proving for many Nigerians, some of whom may he tempted by a debt moratorium and a go-it-alone policy, there remains no viable alternative. As the article on the economy illustrates *(see inside pages)*, Nigeria surely has more to gain hy persevering with reforms and thus maintaining the support of commercial lenders and the World Bank.

The 1988 budget, however, suggests that Government is wobbling in its course. If taken at face value — the budget deficit as a percentage of GDP is at least 7 per cent — it raises the likelihood of high inflation, which in turn will put severe pressure on the Naira, and threaten the thus far shrewdly managed lynchpin of reform — an exchange rate which treads a tightrope stretched between economic reality and political sensitivities.

Senior government officials argue in effect that the budget is not quite what it seems. They are more optimistic than most about the price of oil, which accounts for over 90 per cent of export earnings, sngesting that the year-end average price may top the US$16 on which the budget is based.

Further, more efficient collection of customs duties will help narrow tha deficit. And most important of all, the so-called subsidy of domestic fuel (which sells at a fraction of the rate in neighbouring countries) will, officials hint, be reduced by perhaps a third, later this year.

This last measure will indeed put the budget in a very different light, provided at the same time the Central Bank reverses its puzzling decision, taken towards the end of last year, to ease restraints on money supply. But the price of fuel is the most sensitive issue the government had had to face. City transport is grossly inadequate and many workers have to begin their journeys at dawn: that the arduous experience should become more expensive will be a hard cross to bear.

The governmant was fully aware of this when it launched last year an anti-subsidy campaign, explaining that an increase in fuel prices would provide more funds for government spending on ednucation, health, roads and other services.

As it turned out, the government lost the puhlic relations battle to the Nigerian trade unions, who vigorously argued for retention of the subsidy. The government's position was not helped by an outspoken speech by the former Nigerian President, General Olusegun Obasanjo.

"Let us tell those who preach trade liberalisation and other harmful measures to us .... that they are leading us along the path of great economic decline, social dislocation and turbulence and political consequences that we can ill afford," be declared.

It seems clear that this combination of pressures not only led the Government to drop plans to include a fuel increase in the budget, hut also to defuse tension by reflating the economy beyond the level that some senior officials thought wise, ending a wage freeze and giving civil servants a pay increase of between 15 and 40 per cent, depending on grades.

That increase is now being reassessed, hut not hefore the unions launched a series of wage claims which the private sector will be hard pressed to meet.

The fuel issue aside, further tough measures are in the pipeline. As part of the "commercialisation" principle already followed by the Government-owned telecommunications corporation, air fares, and electricity prices are expected to rise this year.

The good news, however, is that furtber tangible benefits of adjustment, which has already benefited many companies and led to an agricultural revival, should start to flow: a commercial banks' loan agreed in principle last year, renewed export credit agency cover, a furtber World Bank structural adjustment loan in addition to project lending, as well as the easing of the debt burden which further rescheduling will hring.

This assnmes, bowever, an agreement with the Fund, and it is clear that some demanding negotiations lie ahead. It seems almost unthinkable that with both sides having put so much into devising the programme, and with most of the major features of reform already in place, there will not be an agreement. But it may be a close thing.

In the meantime, President Babangida has other concerns.

The severity of the drought in the North has yet to be accurately assessed hut there is growing anxiety that government has been slow in responding.

Religious tensions within the predominantly Moslem North, where heretical sects have caused serious disturbances in the past, and between the North and the largely Christian South, lie not far below the surface.

Continued on page 2

The Military Government is seeking the right timetable and formula for preparing civilian rule, reports **Michael Holman**

Seeking a fresh start for democracy

FOR THE SECOND time in a decade, Nigerians are preparing for a return to civilian rule, and the politicians are back in business.

"The old crows are returning to their roosts," as one veteran observer puts it. They operate discreetly, using traditional institutions, funeral gatherings and other religious events, and ostensibly social occasions as a front behind which old loyalties are reasserted or new allegiances forged. In short, the groundwork is being done for the day, barely a year away, when party politics returns to Nigeria after a five-year absence.

In theory, party politics is proscribed until then, and tens of thousands have been barred from holding standing for office again. The proscription is part of the military government's effort to give Nigerians a fresh start in democracy. The country has been disillusioned by a succession of coups since independence in 1960 and by the corruption and vote-rigging that marred the civilian administration of former President Shehu Shagari.

But Nigerian politicians, who have been lying low since the military took over at the end of 1983, are irrepressible once they get a whiff of the hustings. The over-riding question today is whether the Government has found the right timetable and formula through which to channel the democratic aspirations of electorate whose main ethnic differences — (Yoruba, Hausa-Fulani and Ibo) — and whose Christian-Moslem divisions are major factors in Nigerian politics.

In summary the government has decided to limit political parties to two, maintain the 1979 US-style constitution, albeit with modifications, which provides for an executive president and a bicameral legislature, and to have a phased return to civilian rule, rather than the somewhat abrupt transfer over the space of a few weeks, as occurred in 1979.

The Government's commitment to a return to civilian rule (originally set for 1990) has been widely welcomed — though tempered by the recollection that a civilian government is not a panacea for Nigeria's ills — and so has the idea of a step by step transition with reservations about the practicality of the all-embracing ban on former office holders (including members of the present administration), and the wisdom of the decision to limit the number of parties to two.

Nigerians treat their politicians with the same scepticism as most other electorates. But much as they may wish to be governed by a new generation of honest politicians, they doubt the viability of a sweeping, undiscriminating ban which could exclude as many as 50,000 people from political life ranging from former ministers and state governors to — in theory, at least — a driver sacked for insubordination, for the prohibition includes anyone who was fired form his or her job since independence.

THE MEN IN CONTROL
See the back page of this survey for details of Armed Forces' Ruling Council, the National Council of Ministers and the State Military Governors.

Many of the old political hands seemed to be at work behind the scenes last December, when 13,000 candidates stood for 301 local councils. The outcome fell far short of an exercise in democracy. The national Electoral Commission, established last August, was not up to the mammoth task.

Voters' registration lists were inaccurate and considerably inflated, polling boxes were sometimes stuffed and sometimes failed to arrive, much to the fury of voters. Government has treated the matter phlegmatically, ordering re-runs where necessary and making the point that, the five year transition allows time to learn from experience. But from Kano to Lagos there are few voters who do not believe that many of the candidates represented banned political figures.

Local government elections take place again at the end of 1989, but this time on a party political basis. The ban on individuals may not have been eased by then, but many Nigerians believe that come the next round — state legislatures in the first half of 1990 — some familiar faces will be back on the political scenes, vetted for probity, and traditional shortcomings curbed by tougher enforcement of electoral laws.

The second concern is more fundamental: the fear that the government limit to two parties will exacerbate what is seen as a north-south divide to which religious affiliation (the north is predominantly Moslem, the South Christian) will become dangerously politicised.

Like most political generalisations, the suggestion that Nigeria can be divided into northern and southern interest groups can be misleading. The north is home to many Christians (the chairman of the local council elected last December in Kaduna, a stronghold of "northern" politicians, is, for example, a Christian), while there is a substantial Moslem presence in the south.

At the same time, suggestion that there is a solid Northern bloc is misleading, for although conservative political and economic values dominate, there is a strong radical tradition represented today by the highly respected Balarabe Musa, governor of Kaduna state from 1979 to 1981, and ex-governor Rimi of Kano state.

Nevertheless, as one prominent Northern figure warned: "If government sticks to the two party limit, one party will be northern based seeking to make inroads in the south, and the other will be southern based, with a similar strategy. Inevitably religion will become a political issue."

The sharp antagonisms stirred up by the government's puzzling decision in 1986 to become a full member of the Islamic Conference Organisation (a move deeply resented by many Christians) have not died down, and leading members of both religious communities believe that religious tensions might easily turn to violence.

Political rivalries could readily trigger it off, and there are many who believe that provision for further parties could help blunt ethnic and religious divisions.

It is far too early to make any predictions about potential front runners when the ban on political parties is lifted (and should the ban on individuals be modified), if only because the departure of some of the colossi of the past have left gaps that cannot easily be filled.

The death last May of the revered Chief Obafemi Awolowo, one of the founding fathers of independent Nigeria, broke the mould of Yoruba politics, as West Africa magazine put it. Although there are several contenders for the "Yoruba vote" they will be unable to dominate the community as "Awo" did.

Chief Awolowo's distinguished Igbo contemporary, Dr Nnamide Azikiwe, is happily still going strong, but one day the Ibo political mould will also be broken, leaving the succession far from clear.

For its part the North offers no obvious candidate at this stage, though considerable manoeuvring is taking place, partly within the ranks of the Northern Elders Committee. It was established in mid-87 ostensibly to "deliberate on the inter-religious conflict" in the debate as well. The minority groups, meanwhile, have yet to show their hand: their turn may come when compromise candidates are needed.

It may well be that Nigeria's next president is a comparative unknown, perhaps drawn from the ranks of "rich, young, retired military officers" who, the well-informed Nigerian newsletter, *The Insider*, suggests, will play an increasingly important role in the country's politics.

There may indeed be a new breed of Nigerian politicians in the making. But the "old crows" will not easily be shunted aside.

Britain's Prime Minister, Mrs Margaret Thatcher with the Nigerian President, General Ibrahim Babangida (left), in Lagos, during Mrs Thatcher's African tour with her husband, Denis, in January.

Foreign policy

New mood of realism

"NIGERIANS have come to realise," writes ex-Foreign Minister Joe Garba in his recent book, *Diplomatic Soldiering*, that "unless we begin to concentrate on better management of our own human and financial resources, there is no way that we can pursue any foreign policy objectives with conviction and success."

Major General Garba, currently Nigeria's representative at the United Nations, continues: "We will need to formulate realistic policies to create a climate to attract foreign technology and financial investment. No amount of ideological posturing will produce the results that we need in the next decade."

Although Nigeria's new foreign minister, Major General Ike Nwachukwu, has not been in office long enough to leave his mark (he succeeded Professor Bolaji Akinyemi last December), it seems likely that Joe Garba's realistic and pragmatic assessment of the country's options is matched by government policy.

Perhaps the best example of this pragmatism was the reception accorded Mrs Margaret Thatcher, the British Prime Minister, when she visited Nigeria in January. Although her brief stay was marked by modest demonstrations, protesting against Britain's refusal to implement tougher sanctions against South Africa, the Nigerian Government made it clear that differences over how to end apartheid would not fundamentally affect relations between the two countries.

President Babangida urged Britain to "re-appraise" its approach to South Africa: But he also paid tribute to Britain's backing of Nigeria's structural adjustment programme. Much of the country's progress on debt rescheduling "is attributable to the understanding and co-operation of our Western creditors, particularly that of your government," he told Mrs Thatcher, "which, through its various financial institutions and credit agencies, has demonstrated considerable support for Nigeria's economic recovery efforts."

Such is the improvement in relations between the two countries, which reached a nadir in 1984 with the withdrawal of High Commissioners over the abortive attempt by Nigerian agents to kidnap a prominent exile, Mr Umaru Dikko, from his London home, that the two governments will this month resume the tradition of an annual bi-lateral conference, last held in 1983. Sir Geoffrey Howe, the British foreign secretary, will be meeting his Nigerian counterpart at the former's official country residence, Chevening House, in Kent.

A similar economic pragmatism underlies relations with two other important European trading partners, France and Germany. The ambivalence with which Nigeria sometimes views France's military activities in the region — its stabilising support for Chad in the conflict with Libya has been appreciated, but its powerful overall military role in the regional Francophone states is regarded with a degree of unease — takes second place to a belief that trade and investment links could be strengthened.

Despite frequent suggestions to the contrary, France has not in fact been able to erode Britain's position as Nigeria's leading business partner. But as one Nigerian official put it, "encouraging France, West Germany or Japan, for that matter, makes contracts or suppliers more competitive, and makes clear to the UK that we are not a captive market."

It is a far cry from the ambitious concepts pursued by Professor Akinyemi, who believed that Nigeria would play a leading part in world affairs by establishing a forum of "medium powers", including countries such as Austria, Canada, India and Brazil which could play a mediating role in world affairs. There was also a belief that Nigeria, whose external debt exceeds US$25bn, could make a greater contribution to international efforts to resolve the Third World debt crisis.

The "medium power" concept now appears to be in limbo. And although President Babangida raised with Mrs Thatcher the problem of Black Africa's estimated US$200bn external debt, and the adverse impact that heavy servicing commitments were having on economic reform programmes in place across the continent, there is no sign of a Nigerian initiative on the issue.

Other features of Professor Akinyemi's legacy are also either discarded or under review. Last September he was criticised at home after meeting the Israeli foreign minister at the opening of the session of the United Nations General Assembly. Over 40 per cent of Nigeria's 100m or more people are Moslem, and although there is a significant Israeli business presence in Nigeria, its members keep a very low profile. Coming at a time when relations between Nigeria's Moslem and Christian communities are strained, the meeting was regarded by some government officials as unwise.

Further difficulties arose out of Professor Akinyemi's suggestion towards the end of last year that Nigeria might be prepared to mediate in the Angolan civil war, a proposal that was interpreted — probably incorrectly — as meaning that Lagos was shifting from its long-established support for President Dos Santos's government in its battle with Unita rebels led by Mr Jonas Savimbi.

One senior official in Lagos confirmed that Nigeria would indeed be prepared to play such a role — but only if invited by both sides. But he had no illusions about the problems Nigeria would face in an apparently intractable conflict, which has defied the negotiating efforts of the United States and defeated African initiatives led by President Kenneth Kaunda of Zambia.

Nor does Nigeria have any illusions about the impact it can have on South Africa. The participation of Nigeria's former military leader, General Olusegun Obasanjo, in the Commonwealth's "Eminent Persons Group" visit to the republic in 1986 ensured that Lagos is as well-informed as any African capital about South Africa.

A visit to Nigeria last month by a senior delegation of the African National Congress may have paved the way for greater Nigerian military support for the military wing of the organisation, but most government officials appear to accept that the country's role in efforts to end apartheid is very limited.

Michael Holman

Demanding year ahead

Continued from page 1

On the political front, General Babangida's timetable for a phased return to civilian rule culminating in presidential elections in 1992 has been widely welcomed.

But many Nigerians are sceptical about the wisdom and practicality of two decisions. The first is last July's sweeping ban on the participation in the five year transition of thousands of former politicians and government office holders, many of whom are nonetheless active behind the scenes.

The second is the decision to allow only two parties (a ban on party politics is due to be lifted early next year). The danger, many Nigerians believe, is that the two parties may be northern and southern based, the one mainly Moslem, the other largely Christian, a development which would inevitably exacerbate religious tensions.

It may well be that government will have to reconsider both decisions.

What is of more pressing concern is the decline in the government's popularity (although not the personal standing of the President).

Talk of corruption involving senior Federal and state officials is widespread. There is a widely held view that what seems to be a surfeit of government "advisers" hold up and confuse the decision making process rather than streamline it.

A spate of incidents involving ill-disciplined Army or Air Force members and civilians has eroded the standing of the armed forces. There are signs of a sometimes heavy handed approach to the press — which remains amongst the freest in Africa. And there is a danger that recent changes to the civil service (one of which is to make the Permanent Secretaries' tenure limited to the life of the government of the day) will undermine morale in the service and further weaken the continuity the country needs but frequently lacks in policy making.

On several fronts, then, are issues which will test the skills of the President, termed the political Maradonna of Nigerian politics by West Africa magazine in tribute to the deftness with which he has weaved his way between obstacles put up by opponents and interest groups over the past 30 months.

Yet at the end of the day it is rare to meet a Nigerian who, whatever the criticisms he or she expresses, does not conclude with an endorsement of the President himself. That will stand General Babangida in good stead as he attempts to keep Nigeria on the arduous path of economic recovery.

The timetable of transition to civilian rule

Complex plans under way

THE MILITARY GOVERNMENT of Africa's most populous state has begun the complex process of returning the country to civilian rule by the end of 1992.

Although political parties are still banned, and tens of thousands of former politicians and office-holders at every level of Federal and State Government have been barred from re-entering the political arena, the first steps in a transition designed to culminate in presidential elections in the second half of 1992 have already been taken.

A National Electoral Commission, established in mid-1987, will be responsible for selecting and supervising the conduct of the two political parties (yet to be established) which will be allowed to contest the first round of party political elections at the end of next year.

A Constitution Drafting Committee which will review the 1979 constitution is already at work, as is the Directorate of Social Mobilisation which has the formidable task of "morally and spiritually" uplifting the nation, in order to reduce, if not eliminate, those disagreeable features of Nigerian politicians whose shortcomings, says President Babangida, have ambraced "almost every form of malpractice from ballot-rigging, electoral violence, murder and arson, abuse of office to interference and lawlessness".

Judging by the results of the ostensibly apolitical local government elections last December, the Directorate, which is conducting a "Mass Mobilisation for Economic Recovery", Self-Reliance and Social Justice - known as MAMSER - has an uphill battle. The elections were marked by inflated and muddled voter registration lists, allegations of stuffed ballot boxes, fake polling stations and counting irregularities.

It was nonetheless, said the Government, a valuable "learning experience", and the administration is determined to press ahead with the next stages of a return to civilian rule.

Vital to the exercise is an accurate census, an operation fraught with difficulties. Past experience has shown that every town, state and region seeks to exaggerate its population for a variety of motives, ranging from the rivalry between Christians and Moslems to the fact that the allocation of Federal revenue to the country's 21 states is partly determined by population distribution.

But as President Babangida observed: "We cannot run away from counting ourselves simply because the exercise easily gets politicised". A National Population Commission will prepare the way for a census in 1991.

In the meantime a Constituent Assembly is due to be inaugurated which will debate and ratify the draft constitution which will be promulgated in early 1989. The ban on party politics is scheduled to be lifted in 1989, followed by an announcement in the third quarter of that year of which two political parties have secured recognition.

The first round of polling on a party political basis takes place towards the end of 1989 when local government elections take place. Elections for state legislatures and governors are set for the first half of 1990. Nearly two years later (1991 is set aside for the census) voting for the Federal legislatures - Senate and House of Representatives - is scheduled, to be followed by the presidential election sometime during the second half of 1992.

Michael Holman

NIGERIA 3

Tony Hawkins examines the latest changes in economic strategy

Anxieties over new budget measures

A SUDDEN SWITCH of economic strategy towards the end of last year has left a question-mark hanging over Nigeria's structural adjustment programme.

After skilfully implementing radical, painful and unpopular economic reforms, the Babangida administration suddenly succumbed to mounting social and political pressures to reflate the economy.

By any yardstick, both the timing and the extent of the reflationary package embodied in the January 1988 budget were unfortunate. While there was – and is – a powerful case for some measure of reflation, there is a very real danger of the hard-won achievements of the past 18 months being undermined by a combination of excessive aggregate demand, rapid inflation and a depreciating naira.

Since the World Bank-sponsored economic recovery programme was launched in mid-1986, the Government has revolutionised the economic environment primarily by abolishing import, exchange and price controls, liberalising and deregulating the banking sector and shifting the entire pattern of economic incentives in favour of agriculture and those manufacturing activities that rely mainly on domestic inputs.

After depreciating 44 per cent in 1986, the naira fell a further 67 per cent last year, eliminating most of the currency over-valuation that had previously bedevilled the economy.

Inevitably, such far-reaching reforms created both political and economic animosity – from many northern traders who relied on their preferential access to foreign exchange to reap rich rewards; from the Lagos customs officials whose sources of supplementary income have now disappeared; from western multinationals in the vehicle-assembly industry who can no longer compete with imported cars and, above all, from the many thousands of people who have been declared redundant and whose living standards have been falling for more than a decade.

It was a measure both of the gravity of Nigeria's economic plight and the courage of the Babangida administration that it was prepared to endure the resultant criticism and unpopularity. The President had taken on board that there was just no viable alternative.

These achievements notwithstanding, the structural adjustment programme (SAP) has run up against some serious snags. Under the 1986 agreement with the International Monetary Fund, the fiscal deficit was targeted at 3 per cent of GDP, but in the event it was more than 10 per cent. Credit ceilings were missed, too, and the Fund programme expired without a successful review. But important targets *were* met such as the merging of the official and auction market exchange rates for the naira in mid-1987 and the deregulation of interest rates.

After protracted negotiations the long-running dispute over the rescheduling of trade arrears in respect of uninsured debt was finally resolved early in 1988 while Nigeria's rescheduling agreement with the London Club of commercial banks became effective from December 1987.

Bilateral agreements have been concluded with 12 of the 19 Paris Club official creditors but the process of reconciling short-term claims has been very slow, thereby further delaying the re-opening of export credit cover to Nigeria by the major western exporters.

The snail's pace at which rescheduling agreements have been reached – the original deadline for the signing of bilateral agreements with the Paris Club of June 30, 1987 was extended to February 29, 1988 and even this latter date was not met – illustrates the relative shortage of expertise on the Nigerian side.

Such delays are doing more harm than good by postponing access to new money, putting back the start of the next round of rescheduling discussions and further damaging Nigeria's already much-tarnished international creditworthiness.

Given the severity of Nigeria's immediate cash flow difficulties, it is imperative to accelerate the process. Last year's gross inflow of capital was only N1.2 bn against a targeted N2.75 bn, leaving a net capital outflow of N1.25bn. Yet in Lagos one is struck by an apparent lack of urgency.

It is easy to sympathise with the decision to reflate since real Gross Domestic Product is lower now than in the mid-1970s, so that real per capita incomes have fallen by more than a third in a decade. The living standards of urban wage-earners halved in the first half of the 1980s and, while there are no reliable unemployment figures, labour surveys suggest that the unemployment rate trebled from 4.1 per cent in 1979 to 12 per cent in 1986. The Central Bank's figures show a 50 per cent increase in registered work-seekers in 1986/7.

Interpreted literally, these surveys point to 4m unemployed out of a labour force of some 34m. There is some – marginally reassuring – evidence to show that in recent years, as redundancies grew in the urban areas, return migration to the villages gathered momentum, increasing the rural labour force by as much as 25 per cent – a trend accentuated by the fall in the naira and the enhanced profitability of agriculture.

The reverse side of this coin, though, is the apparent correlation between education and unemployment. Urban unemployment rates exceed 40 per cent among secondary school-leavers while graduate unemployment is put at around 9 per cent, mainly reflecting the 150 per cent increase in graduate numbers in the past decade.

Given this bleak situation, it is hardly surprising that the Government should have been anxious to reflate.

Real growth in the Nigerian economy is officially put at 1.2 per cent last year, mainly attributable to an estimated 10 per cent increase in manufacturing production. Growth in the non-oil sector was largely offset by a steep 17 per cent decline in oil exports and lower agricultural production, attributable to the drought. 1988 is expected to be a far better year, despite the uncertain outlook for oil exports.

Officials believe that even with a depressed oil market, the combination of domestic reflation and a normal agricultural season should ensure real growth of at least 4 per cent which would be the economy's best performance for 13 years.

However, this growth target may be jeopardised in two main ways – by the balance of payments situation and inflation. The 1988 foreign exchange budget projects earnings from oil of some $5.5bn, down almost 20 per cent on 1987 revenues, though this will be supplemented by a generously-forecast $1.2bn in private sector non-oil exports – compared with $500m last year – and $250m in public sector non-oil inflows. Loans for balance of payments support will provide an extra $500m, making $7.4bn in all.

Imports are forecast at $5.1bn with the foreign exchange auctions (FEM) absorbing $3.9bn while the private sector's non-oil export earnings of $1.2bn will be channelled into imports and payments for invisibles through the so-called autonomous funds market. $600m is set aside for contingencies and rebuilding Nigeria's depleted foreign reserves which at the end of last year were down to three weeks' import cover. Only $1.7bn – about 25 per cent of projected export earnings – is earmarked for servicing foreign debt compared with actual post-rescheduling obligations in the region of $5.7bn or a debt-service ratio of 74 per cent.

The clear implication is that Nigeria must both reschedule its 1988 obligations while borrowing substantially more than the $500m envisaged in the foreign exchange budget if a further build-up of arrears is to be averted.

The reality is that neither the reschedulings nor the new loans will be forthcoming in the absence of a new agreement with the IMF and a reconciliation of existing policy disagreements with the World Bank. Indeed, the disbursement of the first tranche of the World Bank's second structural adjustment loan (of $500m) is hanging fire pending agreement.

Similarly, further reschedulings with the Paris and London Clubs are not going to be agreed in the absence of a new IMF agreement, while the proposed $300m Japanese balance of payments support loan and the long-promised $320m in new money from commercial banks will certainly be delayed unless Lagos and the Fund reach agreement within a month, which seems unlikely.

It is estimated that even with an IMF agreement and the $600m from the World Bank, Nigeria would still face a financing gap of $1bn. This gap would be closed by the $320m from the commercial banks, $200m from Japan, $220m from the African Development Bank and project lending by both the World Bank and the export credit agencies.

One issue above all is likely to dominate the IMF/Nigerian discussions – namely the Fund's insistence that the domestic petroleum price be raised – over a relatively short time-frame – to bring it into line with export parity. The actual price rise needed to reach export parity depends, of course, on the ruling world market price, but at current levels the domestic price would have to be increased about 150 per cent, which in a country where transport costs are a major factor in the household budget is an extremely sensitive political issue.

Some Nigerian officials insist that a phased increase in the domestic fuel price is imminent but its timing has become a major political issue since the Babangida administration cannot afford to impose further austerity on the man in the street on the IMF's instructions.

In any event, while the domestic fuel price issue may be of paramount importance at this juncture, it is no more than the tip of the iceberg. There are many other tough and unpalatable measures that must be taken, ranging from swingeing increases in electricity tariffs to higher railway rates and fares and the gradual elimination of overmanning throughout the public sector.

Much could be achieved through the promised commercialisation and privatisation of the 96 parastatals already planned though here, too, the administration is dragging its heels and expectations have, yet again, run ahead of performance. Commercialisation has major attractions to the extent that it "depoliticises" pricing decisions for utilities.

Clearly, there is much more to securing a new IMF agreement than an increase in the domestic fuel price. The whole strategy of reflation is bound to have been under the microscope with the Fund arguing that any loss of control over domestic spending is bound to undermine the foreign currency auctions by depressing the naira to politically-unacceptable levels.

A year ago, Nigerian ministers were arguing that N2.5 or – at a pinch – N3 to the US dollar was a realistic exchange rate for the dollar. Last year, various stratagems were adopted to slow the rate of naira depreciation and prevent it from going below 25 US cents. But, inexorably, market forces have continued to nudge the rate downwards and N5 – or possibly N4.5 – to the dollar are now seen as politically-sensitive exchange rate resistance levels.

Bankers are adamant that with the free market autonomous funds rate standing at N4.8 to the dollar and demand outrunning supply by a factor of three to one at the fortnightly auctions, the rate can only continue to weaken. The Government's reflationary policy is bound to exacerbate this situation unless export earnings respond far more positively than seems likely.

Inflationary pressures will be fuelled both by excessive demand in the wake of the public sector pay rises which will be followed by a general increase in private sector wage levels of at least 15 to 20 per cent, and surging production costs reflecting higher wages, tariffs and the weaker naira. The central bank estimates inflation at 12 per cent last year but this is likely to double in 1988 with dire consequences for the exchange rate.

This is the message that the IMF and World Bank – both of which have a powerful vested interest in ensuring that SAP does not end in tears – have carried to Lagos. Ultimately, there can be no substitute for fiscal and monetary discipline and governments that believe they can spend their way out of their political difficulties are kidding both themselves and their electorates.

On the face of it, Nigeria has no viable alternative. The go-it-alone Zambian option or the debt moratorium route are simply untenable – popular in the short-run though they undoubtedly are. In the past two years, Nigeria has begun to create the framework for economic reform and a return to sustained – and efficient – economic growth, but there is still a long, long way to go.

For Nigeria, structural adjustment is not a two- or three-year programme, but one that must last well into the 1990s if its full potential is to be realised. To abort now would not only jettison the hard-won gains of the last two years, but put the country back on the unrewarding road of austerity without adjustment that it travelled in the early 1980s.

Balance of payments ($bn)

	1985	1986	1987, est.
Exports	12.6	6.8	7.4
of which oil	12.2	6.4	6.9
Imports	8.3	6.7	5.7
Trade balance	4.3	0.1	1.7
Invisibles (net)	-4.0	-3.6	-3.4
Current account	0.3	-3.5	-1.7
Capital inflows	2.1	1.5	1.4
Capital outflows	-1.7	-5.1	-2.8
Net capital	0.4	-3.6	-1.2
Overall balance	0.7	-7.1	-2.9
Interest payments*	-2.2	-2.1	-2.2
Debt repayments	-1.7	-2.4	-2.6

*Includes trade debt arrears

Source: Independent estimates

Foreign exchange budget ($bn)

	1988	1987
Oil exports	5.5	6.9
Private sector non-oil	1.2	0.5
Other	0.25	-
Loans/investment	0.5	1.4
Total	7.4	8.8
Imports (FEM)	3.9	5.2
Other imports	1.2	0.5
Debt-servicing	1.7	5.0
Contingencies and reserves	0.6	-
Invisibles	-	1.0
Total	7.4	11.7
Balance	-	-2.9

1988 figures are forecast, 1987 figures are estimates

External debt 1987

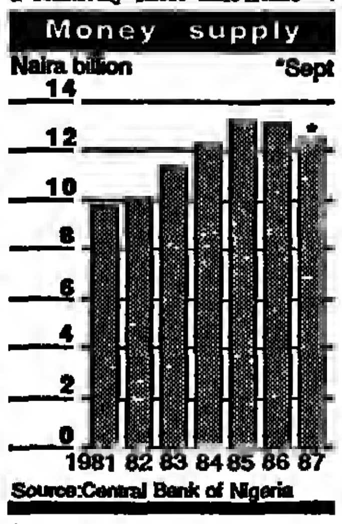
	US$bn
Paris Club	
Official creditors	8.0
Arrears/rescheduled claims	2.8
Total Paris Club	10.8
Multilateral agencies	2.4
Other official	2.0
London Club Commercial	
Bank creditors	3.4
Arrears/reschedulings	2.5
Total London Club	5.9
Promissory notes	4.9
Short term loans	0.2
TOTAL	26.2

Gross Domestic Product (Constant prices)

Year	GDP, Nbn	GDP per head
1975	27.2	360
1976	30.0	385
1977	32.1	405
1978	30.2	370
1979	32.2	380
1980	30.8	355
1981	29.9	335
1982	29.9	325
1983	27.4	290
1984	25.9	265
1985	26.2	260
1986	25.3	245
1987	25.6	240

Source: Federal Govt and various independent estimates

Money supply



Source: Central Bank of Nigeria

1987/88 budgets (Nbn)

	1987 budget	1987 est outcome	1988 budget
Revenue	15.8	19.8	15.7*
Spending	17.6	30.6	24.3
Deficit	2.0	11.0	8.5

*Excludes N2.5bn self-liquidating fund

Budget reaction

Second thoughts after the euphoria

NIGERIA'S 1988 budget has provoked e mixed response of short-lived euphoria and longer-lasting gloom. The euphoria was evident among Nigerians who, mistakenly, interpreted the Government's reflationary package to mean an imminent end to the structural adjustment programme.

After all, SAP – as it is called – has throughout been billed as a two-year programme, ending in mid-1988.

There was euphoria, too, from the labour onions whicb welcomed tbe announcement of increased take-bome pay and fringe benefits in the public sector and the prospect that reflation would reverse the five-year downtrend in formal sector employment.

But as the budget was more closely scrutinised, so the euphoria has all but disappeared to be replaced by ontrigbt concern amongst businessmen, bankers and economists questioning the viability of reflation at this delicate stage of Nigeria's economic rehabilitation programme.

To be fair, it had long been apparent that the 1988 budget would have to contain e substantial reflationary element. The social and political consequences of falling real wages and living standards, mounting unemployment and above all, the need to swallow some bitter pills in the form of higher prices for domestic fuel and many parastatal services, such as electricity, transport fares and telephones dictated some compensatory adjustments.

At issue was not so much reflation itself as the *extent* to which the economic pump should be primed by the combination of a large budget deficit and an accommodating and expansionist monetary policy.

That said, there is now a very real danger that excessive reflation will undermine much that has already been achieved since SAP was launched in 1986. Experience in many developing countries has demonstrated that the pressures on the exchange rate become intolerahle when the anthorities lose control of aggregate demand. In Nigeria's case, the dangers are the more pronounced because a new agreement with the IMF is essential if structural reform is to succeed.

Total spending this year is projected at N24.3bn, which includes the special reflationary package of N2.5bn – an increase of 38 per cent on last year's budget estimates. This substantially over-states the real increase which when adjusted for Naira depreciation is closer to 10 per cent.

Revenue is forecast to increase a much more modest 17.5 per cent to N18.3bn, implying a decline in real receipts when Naira depreciation is taken into account. Indeed, if the so-called "self-liquidating fund" – the N2.5bn to be borrowed from the Central Bank – is deducted, the revenue forecast for 1988 is little different from that for last year, suggesting that Lagos may well have under-estimated its potential revenue.

There are, as yet, no official figures for the actual out-turn of the 1987 budget, bnt bankers believe that revenues were some 25 per cent above forecast while spending ontstripped bndget appropriations by a huge 75 per cent margin. Accordingly, the bndget deficit was probably closer to N11bn – about 11 per cent of GDP – than the N2bn forecast a year ago.

Reasons for this include overruns on government spending, the siphoning of petroleum earnings into "dedicated" accounts to finance major capital projects that were not included in the budget and the fact that the Federal government took responsibility for the external interest and debt payments of both the state governments and private sector arrears.

On these numbers, the 1988 budget looks to be a major improvement on the actual 1987 out-turn, suggesting that some of the gloom is being overdone. If Lagos can stick to its 1988 targets, the effective budget deficit would be at least 20 per cent lower than last year while as a ratio of GDP it would come down from about 11 per cent to around 8 per cent.

Nigerian officials argue that the N8.6bn is very much a worst-case scenario, since they believe revennes will be substantially higher than projected, while spending is likely to fall behind target especially in the case of the N8bn capital budget and the N2.5bn set aside for reflation.

Higher revenues are anticipated from company taxation but mainly from customs and excise revenue which could increase by as much as 50 per cent – more than N1bn – following the decision to shift revenue collection from the customs department, where what is euphemistically-termed "revenue-slippage" is endemic, to the banks. Some Nigerians argue also that oil receipts, based on an oil price of US$16 a barrel, are conservative – a view not shared outside the Government where it is felt that oil revenues could well fall below the projected US$5.5bn.

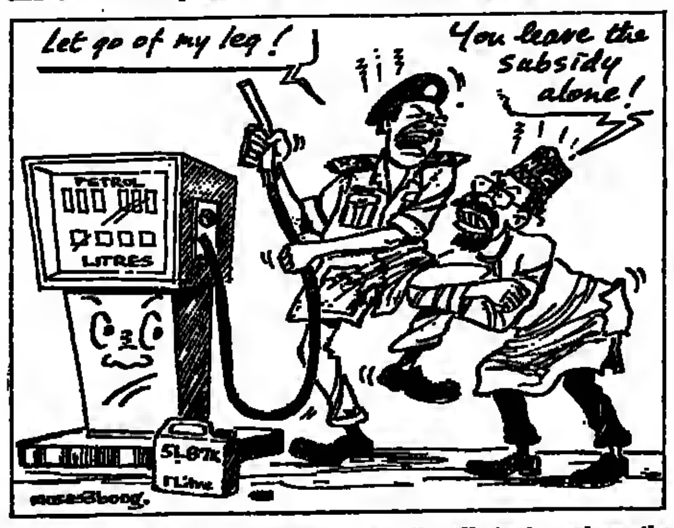
Capital spending – on such projects as the N700 mln set aside for improving transport – could well fall short of budget because the foreign exhange is unlikely to be available to meet such import-intensive programmes.

The major imponderable though is the domestic fuel price. If this is raised early in the year, then the budgetary gap will be reduced, thongb mnch will depend on both the timing and the extent of the increase.

It is premature to conclude – as some have, already – that the 1988 budget has undermined SAP. Certainly, SAP has been jeopardised not just by the reflationary fiscal package that threatens to become highly inflationary, but by the 1987 fiscal and monetary performance which overshot IMF programme targets by wide margins.

If the Government is prepared to bite the domestic fuel price bullet within the next few weeks, under-pinning this with increased electricity tariffs, the adoption of commercial policies in other parastatals and rapid and decisive steps towards privatising others, the budget could still turn out to be a temporary hiccough along the rocky road to structural change.

Tony Hawkins



Popular opposition to the Government's efforts to reduce the subsidy of domestic fuel prices is reflected in this cartoon by Moses Ebong in the daily newspaper, *Punch*.

Commuters waiting for buses in Tinubu Square, in the capital city, Lagos. There was short-lived euphoria among many workers and labour unions after the 1988 budget as they welcomed the prospect of increased take-home pay and fringe benefits in the public sector, and a reverse in the five-year downtrend in formal sector employment. Now the euphoria has all but disappeared.

Banking

Prospering despite recession

IF THERE is one sector of the Nigerian economy that has prospered through recession and structural adjustment, it is the banks and more particularly, the merchant banks. As one avenue of profitable activity has closed, so new opportunities have arisen. Ironically, even when the banks were substantially underlent – their liquidity ratios averaged 86 per cent in the first half of the 1980s – they were still very profitable because they were able to invest their low-cost or even costless funds in government securities earning at least 8 per cent.

The 1986 liquidity squeeze, whereby the banks were required to deposit these so-called counterpart funds – "free deposits" in respect of arrears owed to foreign suppliers – with the central bank, put an end to this situation, reducing the average liquidity ratio to 44 per cent. But no sooner had this profitable avenue closed than the foreign exchange auction market, with its attractive risk-free returns, was established. Banks are able to earn 2.5 per cent on the auction each fortnight.

This market and the substantially more lucrative, though riskier, autonomous funds foreign exchange market, have done wonders for bank earnings. It is hardly surprising, therefore, that there should have been 18 applications for new banking licences in 1986 (up from 12 the previous year) while in the first half of 1987 the application rate was still higher.

However, not all the banks have benefited. Early last year, eight of the smaller – mainly state-owned banks – were unable to meet their minimum liquidity ratios and had to be placed under special central bank supervision.

The combination of the launching of the currency auctions and the deregulation of interest rates quickly changed the rules of the Nigerian game, putting a premium on technical expertise – an expertise often absent in the smaller banks. As liquidity tightened in late 1986 and early 1987 and the authorities increased the liquidity ratio from 25 per cent of deposits to 30 per cent, so the entire banking environment shifted from one of easy money, low interest rates, and excess liquidity to a fiercely competitive one.

A major change – consistent with an International Monetary Fund programme – has been the switch from negative to positive real interest rates. The real deposit rate swung from minus 30 per cent in 1984 to plus 4 per cent in 1985 and even with the increase in inflation last year, the real deposit rate remained firmly positive.

Since the mid-1980s, the central bank has adopted an increasingly activist monetary policy stance. When the currency auctions were launched, monetary policy was tightened in an effort to contain demand for foreign exchange. The 10 per cent ceiling on credit growth announced early in 1986 was lowered to 8 per cent and this was maintained last year though the merchant banks were allowed to increase their lending from 50 to 55 per cent of their total assets.

This tightening of the credit guidelines coincided with a sharp increase in private sector credit demand since importers are required to deposit naira when bidding for foreign exchange while imports were also four times as costly in naira terms. At the same time, government credit demand started to increase, reflecting the widening budget deficit, with the result that credit growth exceeded target rates.

The authorities responded by tightening the monetary policy screw yet again. Liquidity ratios were raised to 30 per cent for the commercial banks and lending rates rose sharply to 18 per cent – well above the inflation rate of 14 per cent.

Despite this, domestic credit is estimated to have increased some 14 per cent last year – roughly three times the target rate of 4.4 per cent. Much of this credit explosion apparently occurred in the final quarter, mainly reflecting the large budget deficit. As inflationary pressures mounted, intensified monetary restrictions seemed inevitable, but towards the end of the year, the authorities changed tack, embarking upon a much more expansionist path.

Accordingly, the 1988 monetary guidelines provide for aggregate bank credit growth of 8.1 per cent – almost double last year's target. Private sector credit is forecast to grow more than 13 per cent compared with 7.4 per cent last year while government credit will expand by 2.5 per cent as against 1.5 per cent in 1987. In addition, monetary policy was also eased with the reduction to 27.5 from 30 per cent in the liquidity ratio of the banks.

The shift to an easier monetary stance at a time of mounting inflationary pressures and a depreciating exchange rate highlights both the December 1987 economic policy U-turn and the Government's problems in justifying itself to the IMF. The 1988 shift to monetary expansion can only be reconciled with last August's credit clampdown on strictly non-economic criteria.

All the economic fundamentals suggest that the authorities were right to try to curb credit growth last August and the subsequent easing is explained only by political and social considerations. Nevertheless, it is doubtful whether the present policy is sustainable given the negotiations with the IMF, the evidence of accelerating inflation and the obvious downward pressure on the exchange rate.

Last month there was some tightening of liquidity when the

Continued on page 5

Insurance industry

Braced for a heavy agenda

TWO KEY issues head the agenda for the Nigerian insurance industry in 1988. The first, by no means new, is the industry's under-capitalisation – a problem exacerbated since the currency auctions were launched in September 1986 by the steep depreciation of the naira. The second is the challenge of privatisation of some of the industry by the end of the year.

Traditionally, one consequence of under-capitalisation has been the need to place large chunks of reinsurance with overseas insurers and the fall in the naira has quadrupled the local currency cost of such foreign cover. At the same time, the naira value of insured assets, especially those with a high import content such as machinery or motor vehicles, has risen sharply.

Many insurance companies, though not the major players with foreign shareholders, have been slow to react to this by insisting on realistic revaluations of assets and substantially higher insurance premiums. In this new situation, insnrers need to increase their naira revenue by a factor of four or five both to meet the increased naira cost of internationally-placed reinsurance and also to cover themselves against claims on Nigerian assets where replacement costs have quadrupled.

Even without these exchange rate-inspired problems, some insurers were already facing very serious asset valuation difficulties arising from inflated property speculation over the last 10 years. Thus, insurance companies owning half-empty office blocks are finding difficulty in keeping up interest and capital payments.

Some idea of the potential impact of this on the industry and its clients can be gleaned from the latest official figures which show that in 1986 premium income totalled N683m. Some 60 per cent of this relates to fire, motor and general accident cover, where the import content of insured assets is likely to be substantial.

The most important single category of insurance is the life business, accounting for 26.5 per cent of premium income in 1986 followed by fire (just over 20 per cent). The balance is made up of general accident and motor (each about 18.5 per cent) and marine and aviation (16.5 per cent).

At the end of last year some 92 companies were operational – the largest single group of 57 companies being indigenously-owned by Nigerian businessmen. The remaining 35 companies had some degree of government or foreign ownership. However, the bulk of the business is held by the major firms with government or foreign shareholdings. The 57 private Nigerian companies accounted for only 10.5 per cent of premium income while the 35 largest companies with foreign and government shareholders controlled more than 88 per cent of total premium income.

The largest insurer is the Government-owned National Insurance Company of Nigeria (Nicon), which has a 25 per cent market share, followed by the America International Insurance Company with 9 per cent. Foreign participation in the insurance business is currently limited to a maximum of 40 per cent equity ownership under the terms of the Nigerian Enterprises Promotion Decree. However, this situation is set to change with the Federal Government's 1987 decision to privatise the Nigerian insurance industry with the important exceptions of Nicon itself and the National Re-Insurance Company.

A number of major imponderables surrounds the privatisation exercise in the industry including the extent – if at all – to which the Government is willing to liberalise the indigenisation decrees and allow foreign insurers to increase their equity stake above the existing 40 per cent level and, of course, the actual process of privatisation itself.

The Government has hinted that it will relax the indigenisation rules in some sectors though whether this will extend to the insurance industry is unclear. It seems likely that insurers will be required to privatise through the stock market, with employees being allowed to take up some of the federal or state government equity that will become available.

It also seems likely that the Government which bought into the industry at bargain basement prices in the 1970s when it purchased shares at par – well below their real value – will want to sell its holdings at something akin to market prices. Industry sources believe that insurance companies rank among the more attractive privatisation opportunities, believing that there will be a strong local demand for the Government's shares – always depending on the price at which they are offered – and that a government, so very obviously strapped for cash, will be keen to float off some of its more viable assets as soon as possible.

Clearly, the Government will have to pitch the offer terms very carefully. It will want to sell its equity at levels that will contribute significantly to closing its budgetary gap but without encouraging foreign owners to sell their own stakes in the insurance industry.

Tony Hawkins

Crowds throng the streets of Lagos. The most important single category of insurance in Nigeria is the life business, accounting for 26.5 per cent of premium income.

The privatisation programme

Thorny issues raised by policy reversal

IN A radical reversal of the country's long-standing policy of increased government participation in the economy, Nigeria has identified 96 companies that are to be either privatised or commercialised.

At present, the huge Nigerian public sector comprises the Federal Government itself, 19 state governments, 150 local authorities, 70 autonomous bodies such as research organisations, plus hospitals and universities.

To this list can be added about 100 commercially-oriented enterprises in which the Government has varying levels of equity participation.

Although the commercial entities are managed by semi-autonomous boards, the Government lays down operational guidelines and has the major say in investment, pricing and employment decisions.

For the purpose of the privatisation programme, government-owned businesses have been placed into five categories:

☐ 49 enterprises that are to be fully privatised — hotels, food and timber companies, breweries, dairies, insurance companies and transport businesses.

☐ 20 enterprises that will be partially privatised implying that the Government will retain an equity holding. These include all commercial and merchant banks, newspapers and several of the country's major parastatals such as Nigeria Airways, its steel mills, the oil-marketing companies and vehicle assembly plants.

☐ 9 parastatals including the Nigerian National Petroleum Corp (NNPC), the telecommunications authority (NITEL) and the National Insurance Corporation (NICON) that are slated for full commercialisation.

☐ 18 enterprises will be partially commercialised. This list includes the Nigerian Railway Corporation, the National Electric Power Authority (NEPA) and the two major steel operations — Ajaokuta and Delta Steel.

☐ Finally, one category such as educational and cultural institutions and the Water Resources Institute, will be left as public institutions.

To date, the Government has not disclosed precisely how it will implement its privatisation policies, but NAL Merchant Bank has estimated that revenues from full privatisation might be as little as N150m ($35m).

Assuming that the Federal Government retains a 25 per cent stake in those enterprises scheduled for partial privatisation, the bank believes that about N1.3bn ($304m) would be raised from the sale of shares in the 20 enterprises on the partial privatisation list. These are disappointingly low numbers when set against the estimated N22bn invested by the Government in the parastatals.

So far the Government has not disclosed precisely how it will implement its policies for nationalisation

At first sight, it seems that given the fact that privatisation will have to be phased over a number of years, the impact on the Nigerian budget deficit, estimated this year at N8.6bn, will be only minimal. While this may be true in terms of revenue inflows, the full or partial commercialisation of 27 enterprises could — and should — have a major beneficial impact on federal government spending as a result of reduced subsidies.

Detailed figures on the financial operations of most of the parastatals simply do not exist, under-scoring one of the major obstacles to privatisation. Clearly, the parastatals will have to prepare audited sets of accounts before any sale of shares can be contemplated.

The sketchy data that *does* exist points to massive transfers from government to support the parastatals. Federal government loans to public corporations totalled N5.75bn during the 1980/86 period, though this was only the tip of the iceberg since, in 1986, government transfers to parastatals amounted to N830m of which only N450m was accounted for by loans.

Acting in the belief that "good government is least government," the primary objectiva of privatisation is the combination of enhanced efficiency on the one hand and a major reduction in the drain on the public purse on the other. But these goals will not be achieved in the absence of new technology, vastly-improved management and new capital investment.

There is a host of tough policy decisions to be made. For instance, it will be important to maintain ethnic and regional balance in shareholdings which will considerably complicate the sale of shares. The whole issue of foreign ownership and investment will have to be addressed since, because of Nigeria's strained balance of payments and the need for fresh infusions of capital and technology into the depleted parastatal sector, foreign capital could play a positive role.

For this to happen, though, the thorny and emotive issue of the indigenisation decrees, that limit the extent of foreign equity ownership, will have to be tackled.

There are many difficult technical issues to be tackled too, including the timing and pricing of share sales and the mix of public share offers, private placings and foreign management contract agreements.

In many respects, the commercialisation programme looks to be more important than pure privatisation since the really major financial and operational problems are located in such enterprises as NNPC, NITEL, NEPA and the railways.

Here, too, political issues loom large since commercialisation will imply sharply-increased tariffs and prices, an end to overmanning and sweeping changes at management level.

The good news is that the visitor to Lagos cannot fail to be impressed by the quality of management in many private sector companies. If this managerial talent can be attracted into the public sector and allowed to operate on profit-oriented lines, parastatal commercialisation could make a major contribution — in the relatively near-term — to Nigeria's economic recovery.

Tony Hawkins

Government intervention is being urged to hold the Naira exchange rate

The pressures for stabilisation grow

THIS YEAR promises to be a tense one in the Nigerian foreign currency market as the naira sinks to politically-sensitive levels.

So far, the auction system established in September 1986 has been remarkably successful, but as the naira rate falls increasingly below what many prominent Nigerians regard as realistic levels, the pressures for government intervention to stabilise the currency are certain to grow.

Ultimately, a country's exchange rate reflects the efficacy — or otherwise — of its fiscal and monetary policies. The recent relaxation of both fiscal and monetary discipline and the abolition of pay restraint, suggests considerably higher inflation this year — possibly reaching 25 to 30 per cent compared with 14 per cent in 1987.

Against this background, the naira is bound to continue to depreciate — a trend underscored by the substantial disparity between the fortnightly demand for foreign exchange and the available supply.

Bankers argue that demand is outrunning supply by three to one and that this is increasingly evident in the two parallel markets — the so-called autonomous funds market and the "black" market.

Bankers argue that demand is outstripping supply by three to one

When the auction system was established in September 1986, the authorities operated a three-tier system. The first or official tier was the official exchange rate which handled government transactions — specifically debt-servicing.

The auction system comprised the second tier, while a third tier in the form of the autonomous funds market was established to handle earnings from non-oil exports, capital repatriation by Nigerians and autonomous inflows. A fourth tier existed in the form of the black market for illegal transactions.

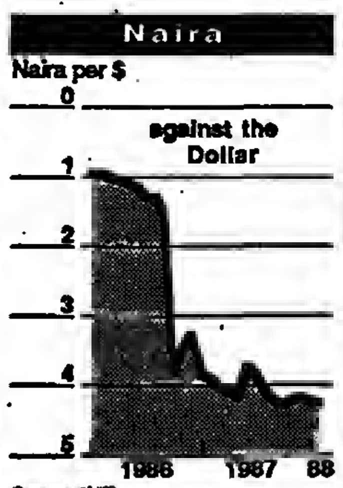
In the first few auctions the market rate was very close to that ruling in the black market of N5 to the dollar compared with an official rate of N1.5. The auction rate fell to N4.9 in October 1986 reflecting a combination of dealers' inexperience and general market uncertainty, resulting in a wide gap between the lowest and highest bids of some N2.5.

The authorities need to regain their grip of demand to hold the naira

By the end of 1986, the rate had firmed to N3.2 but by May 1987 it had slipped to N4 ending 1987 at N4.2. The effective depreciation of the naira since the auctions is put at 40 per cent in 1986 and a further 68 per cent last year.

The first and second tiers were merged, as planned, in mid-1987 at a rate of N3.7 to the dollar and today the auction market handles an estimated 75 per cent of Nigeria's foreign exchange transactions.

Naira



Source: IMF

In the past six months the rate has stabilised, averaging N4.25 to the dollar, though there are at least some ominous signs that the gap between the auction rate and the freer autonomous funds rate which had fallen to 10 per cent late last year has started to widen.

A similar comment applies to the black market rate which currently exceeds N5 to the US dollar. The Nigerian authorities have been criticised for changing the auction rules — introducing the Dutch auction system — in an effort to stabilise the rate, but the signs are that the rate will stabilise only if, and when, the amount of foreign exchange available is increased.

Dr Chu Okongwu, Finance Minister: facing a tense year in the foreign currency market.

The 1988 foreign exchange budget implies a fortnightly auction of about $150m which in the opinion of many observers simply is not adequate to keep the rate below N5 to the dollar, especially given the large budget deficit, the relaxation of monetary policy and increasing inflation.

Other than by regaining their grip over aggregate demand through tighter fiscal and monetary policies or by borrowing abroad, there is little the authorities can do to hold the naira. Demand pressures in the foreign exchange market will grow this year in line with the reflationary strategy and with the entry of the parastatals into the auction market.

The best hope for supplyside relief - apart from a recovery in oil prices - is an early agreement with the IMF and the World Bank that would unblock foreign credit lines. Without such an agreement, the near-term prognosis for the naira is gloomy.

Tony Hawkins

Banking prospers

Continued from page 4:

central bank called in tha amounts owed by Nigerian importers in respect of foreign exchange losses on trade arrears that arose before the naira auction was launched. That could place some of the banks in an embarrassing situation if their clients are unwilling or unable to make the necessary payments.

Outstanding obligations arising from the build-up of arrears in the early 1980s are being split three-ways between the importers who are shouldering the exchange rate risk prior to September 1986, the Government which is picking up the post-auction exchange rate risk and the banks which are responsible for offshore interest charges to creditors. These obligations will cut into bank profits to some extent.

Union Bank, one of the big three commercial banks, recently announced that it was making a provision of just over N60m for bad and doubtful debts in its 1987 accounts — equivalent to 20 per cent of pre-tax profits. The need for this is underscored in the 1988 monetary policy statement precluding banks from paying dividends unless their capital — net of provisions for bad debts — is at least 8.33 per cent of their loans and advances.

Doubtful debts aside, the underlying profitability of Nigerian banking is evident from the continuing rapid growth in the number of banks. In the first half of 1987 alone, four commercial banks were established, taking the total to 33, and three new merchant banks, which now total 15. With 40 new branches being opened, there were 1,407 commercial bank branches and 31 merchant bank branches. However, many of the commercial bank branches, especially those established under the long-standing rural banking programme, are unprofitable.

A feature of recent developments has been the enhanced profile of the merchant banks. Whereas in 1980, merchant banks accounted for only 3 per cent of total deposits in the system, this ratio had trebled to 9 per cent by 1986.

Tony Hawkins

In spite of the naira's devaluation and tariff revisions

Industrialists are still feeling vulnerable

MANUFACTURING industry's reaction to the revised tariff introduced in January underlines – once again – its belief that, even in the wake of the 75 per cent devaluation of the naira in the past two years, it still cannot compete with imports.

Understandable though this reaction may be, it highlights the seriousness of the industrial policy challenge which Lagos must tackle if structural adjustment is to succeed.

Industry complains that the tariff revisions announced in the January 1988 budget and which represent a retreat from the initial reform package of October 1986, have left it vulnerable to international competition. The tariff regime in place before 1986 provided high levels of effective protection with duties ranging from 15 to 60 per cent and an unweighted average in the region of 35 per cent.

Additional protection was available in the form of the outright prohibition of more than 70 products and, from January 1986, a 30 per cent import surcharge.

But towards the end of 1986, with the launch of the currency auction, a new outward-oriented approach was adopted. The number of banned imports was reduced to only 16 – mainly foodstuffs and textiles – and the average tariff reduced to 25 per cent. Needless to say, industry protested vigorously despite the essentially logical tariff structure which set a basic rate of 10 per cent for capital equipment while for raw materials and intermediate goods the rates ranged from 10 to 30 per cent. The tariff for most consumer items was reduced to 30 per cent.

Foodstuffs being unloaded at Apapa quay and (right) work over the rig at Shell Petroleum's Oroni oilfield in Bendel state

This was in line with World Bank strategy designed to reduce both the general level of protection and the variance between tariff rates. In addition to this basic tariff schedule, some items received additional temporary protection – to last for a year – countervailing duties were imposed on products susceptible to "dumping" and a surcharge reaching as high as 170 per cent on luxury items.

The policy-makers justified this new "interim" tariff on the ground that effective protection rates remained high at a time that industry was paying lower duties on imported inputs and obtaining additional protection from the depreciating naira.

Despite this, the government has twice responded to protests and criticism by increasing the general level of tariffs in February 1987 and again in the 1988 budget, pushing the average level of protection back towards the 35 per cent level.

Following the budget, the whole tariff issue is now firmly back on the bargaining table with the government wedged uncomfortably between industrialists complaining that the tariff still favours traders and importers at the expense of manufacturers, while the World Bank is anxious to tie its promised trade promotion loan to continued tariff reform in the form of a lower overall level of tariffs and a narrower spread of tariff rates.

The aim of structural reform is to boost those industries with larger elements of domestic value-added relative to assembly operations with very low value-added. In essence, this implies an industrial policy that favours agro-processing activities – food products, textiles, furniture and leather goods.

There are signs that the new set of industrial incentives is working in favour of high local value-added activities.

The dangers of basing an industrialisation strategy on imported inputs, over-valued exchange rates and high levels of protection are evident from the 10 per cent decline in manufacturing value-added between 1981 and 1986. During this period, import volumes declined more than 60 per cent resulting in a 90 per cent output fall in import-dependent industries, such as vehicle assembly.

It would be misleading to suggest that industry's assessment of the new tariff is wholly negative. There are some industrialists who have come out on top in the exercise. There is broad satisfaction, too, with the seven-year time horizon which allows for longer-term planning, while the establishment of a Tariff Review Board to iron out what industrialists see as the many anomalies in the new system has also been widely welcomed.

While it is far too early to identify any sustained structural change in Nigerian manufacturing industry the signs are that the new set of industrial incentives is working in favour of high local value-added activities. Official estimates pointing to a 10 per cent rise in industrial output last year mainly reflecting improved capacity utilisation, look to be rather generous and some industrialists say that they are operating at no more than 55 to 60 per cent of their peak 1983-84 levels.

None the less, it does appear that industrial activity last year improved from its pre-auction levels, reflecting the beneficial impact of freer access to essential imported inputs. This was offset to some degree by the steep decline in effective demand, especially for high-priced consumer durables like motor cars.

On the positive side, too, there is evidence of greater utilisation of and investment in domestic raw materials. This is being accelerated, albeit in an unplanned way, by import bans, such as that on malt, which is forcing brewers to use maize and sorghum. The consequential surge in the prices of these items should boost agricultural production this year though at the short-run cost of higher inflation.

There is however, disappointingly little evidence of any increase in exports of manufactured goods and a Central Bank study suggests – predictably enough – that industrialists continued to focus on domestic market opportunities and import substitution.

The government's reflationary budget should boost industrial output in 1988 with officials arguing that inflationary pressures will be cushioned by the substantial margin of excess capacity in industry. Officials believe that reduced unit costs arising from higher throughputs will cushion the impact of increased raw material costs, higher customs duties for many firms and sharply-increased wages.

Industrialists are less sanguine, though they still expect increased production and sales in 1988. One manufacturer warned that his company would have to "claw back" N10m – the equivalent of 70 per cent of trading profits – through higher prices and improved productivity in order to pay higher import duties on raw materials.

Another industrialist commented that in 1988 he expected his turnover to be 50 per cent higher than in the pre-auction period, but given his dependence on imported inputs he needs a 400 per cent increase to stay ahead of the game.

As the naira sinks still lower – as seems inevitable given the wide disparity between the demand for and supply of foreign exchange – so many of these difficulties will intensify. But at the same time, restructuring will take place as firms move out of the low domestic value-added activities into those dependent on domestic inputs, especially in agribusiness. The danger is that efforts to sugar the industrial restructuring pill by perpetuating protection of inefficient import substitution industries will slow, or even jeopardise, the long-run adjustment process.

Tony Hawkins

Capital investment

How multinationals may be tempted

SUSTAINED RECOVERY in the Nigerian economy depends upon significantly higher levels of investment, domestic and foreign, than those experienced in recent years. The share of gross investment in GDP fell from almost 30 per cent in 1981 to 10 per cent in 1986 and when depreciation is taken into account net investment must have very low.

In addition to the underlying reflationary strategy, three main policy initiatives designed to boost capital investment are being implemented. First, there are the domestic institutional reforms such as the plan to internationalise and improve the Nigerian Stock Exchange, and the recent decision allowing banks to make limited equity investments in small and medium-scale enterprises.

A second highly-controversial and politically-sensitive thrust concerns plans to liberalise the Nigerian indigenisation decrees to allow foreign firms larger equity stakes than at present. Not surprisingly, an earlier suggestion that this might be achieved through the issue of non-voting shares failed to interest international investors.

In recent years, foreign direct investment in the Nigerian economy has been running at only \$350m annually and making little impression on the annual financing gap that currently exceeds \$4bn.

Bankers believe that while a liberalised indigenisation code is unlikely to generate major new foreign investment inflows in the near-term, it would achieve a modest improvement. Certainly the claim by Nigerian academics that liberalisation would give rise to widespread takeovers of Nigerian enterprises by western multinationals is fanciful. It will take some years to rebuild international investment confidence.

One potential exception to this is the debt-equity swap approach which is the third policy thrust. Lagos has agreed in principle to a debt-equity swap programme though no details have yet been published. Major multinationals faced with the choice of holding on to their promissory notes in respect of rescheduled trade arrears for 20 years at 5 per cent, or selling them in the secondary market at an 80 per cent discount, are clearly interested in the possibility of reinvestment in Nigeria which, depending on the terms, could be much more attractive.

One suggestion being canvassed in Lagos is that foreign firms be allowed to cash in their dollar notes for naira at an exchange rate of N2.6 to the dollar – a discount of 40 per cent.

There are gains on all sides from such a scheme. Nigeria would be able to redeem foreign currency-denominated debt in local naira at 40 per cent below its face value at official exchange rates.

Foreign investors could realise handsome gains by purchasing Nigerian paper in the secondary market at an 80 per cent discount and reinvesting the proceeds in Nigeria thereby boosting output, employment and possibly exports. Trade creditors already holding the notes would be able to reinvest in their Nigerian operations on favourable terms and for those multinationals that are in Nigeria for the long haul, this could well turn out to be a very realistic strategy.

Other potential advantages include the inducement to repatriate flight capital, and the possibility that debt-equity swap funds might help fund the privatisation programme thereby alleviating potential "crowding out" problems in the domestic capital market. New equity issues on the Nigerian capital market have averaged less than N100m annually in recent years, highlighting the market's limitations to terms of raising sufficient capital to finance the privatisation programme.

There are some major drawbacks, too – not the least of which is the danger that the extra naira funds generated in the swap process will be recycled into the foreign exchange market thereby further depressing the naira exchange rate.

Such a programme could also become highly inflationary because of rapid growth in the money supply.

Furthermore, it is unlikely to succeed in the absence of major changes to the existing indigenisation decrees and its success depends also on foreign investors being able to identify attractive investment opportunities, preferably in the export and efficient import-replacement sectors of the economy.

Tony Hawkins

Big farming operations

The Leventis acres

WHEN Lee Johnson was 14, he began farming rice in his native Texas, as three generations of Johnsons have done before him. Today he lives in a ranch-style bungalow lost in the middle of a 28,000-acre farm. The Lone Star flag of Texas flutters proudly by the front door, rows of huge combine harvesters and tractors are lined up beside 60-foot silos, and rice and maize fields stretch away to the horizon in every direction.

As befits the Texan ethos, everything here is big. The only thing missing, in fact, is Texas itself – 6,000 miles from home, Mr Johnson is manager of Maize Products farm, the largest single agricultural operation in Nigeria.

Maize Products is a division of the Nigerian Bottling Company (NBC), a subsidiary of the Leventis Group, one of the largest and most diversified commercial concerns in the country.

Beginning as a small textile import firm in the 1940s, Leventis today employs 15,000 Nigerians. It controls 17 major Nigerian manufacturing, processing and distribution companies, four of which are quoted on the Nigerian Stock Exchange and have over 100,000 shareholders. The group has established joint ventures with such giants as Sanyo, Honda and Continental Can. It is the sole bottler and distributor of Coca-Cola products in Nigeria, and holds franchises from over 50 multinational corporations.

From the 1950s Leventis has put great emphasis on vertical integration and the use of locally produced raw materials for manufacturing purposes. But it is only recently that it has begun applying the same principles to its food processing and distribution operations.

Mr Tasso Leventis, a senior director of the group, is enthusiastic about his company's move into large-scale commercial farming. "This is a new field of activity in Nigeria," he says. "Experiments are necessary and mistakes will be made, but previously lacking incentives and markets are now there. Since the Naira devaluation, increased food import prices have encouraged local production. The ban on grain imports has also been a tremendous incentive."

Establishing an agro-business in Nigeria is not done without difficulty and expense. Initial investment costs in infrastructure, imported machinery and processing equipment are high – Leventis this year will spend N21m on two grain processing plants alone. Cutting through complex tenure problems and acquiring land can be difficult and time-consuming. And lack of expertise in large-scale farming techniques means Nigerian companies rely heavily on foreign personnel.

From its farming operations Leventis will now be able to supply inputs to its various breweries, livestock operations, supermarkets and fruit and vegetable businesses, without going to suppliers outside the group. Any excess production will be sold on the open market. But Leventis does not believe that it and such similarly involved companies as UAC, Guinness, Sona, Rock Breweries and John Holt will supplant the small-scale peasant farmer who currently supplies 95 per cent of Nigeria's food staples.

"Capital intensive farming is neither economically feasible for smaller companies nor in the interest of the majority of Nigerians," says Mr Leventis.

After the dramatic fall in oil prices in the early 1980s, large Nigerian firms were, as one company executive now puts it, "nudged" into agro-industry by regimes which had long ignored agriculture. While many complied with reluctance and did so primarily in order to gain government favour and valued import licences, Leventis management sees its move into agro-industry as a response to opportunity and a logical extension of its operations.

Beginning its first agricultural venture in 1978, Leventis now runs farming operations in seven locations in Nigeria through NBC. While some are experimental and others will require a number of years before they come on-stream, Maize Products farm, including its on-site processing plants, will be fully operational by the end of 1988.

The farm is situated on 13,000 hectares at Agenebode in northern Bendel state. Started in 1985, it currently has 3,700 hectares under cultivation, of which 2,000h are devoted to maize cultivation and 1,550h are used to grow wetland rice. On the remainder citrus fruits, cowpeas, soya, and pineapples are grown. Last year maize and rice production together totalled 7,000 metric tonnes, 30 per cent down on targeted production because of irregular rains.

Inputs and downstream processing operations are kept, as far as is possible, within the Leventis Group. Hybrid maize seed, for example, is provided by Agricultural Seed, a Leventis company located in Zaria. Part of the farm's maize production this year will go as feed to Valley Foods, a Leventis company in Kwara state that raises pigs and cattle before processing them through its abattoir and packing plant. The remainder of the maize will go to Continental Breweries, a Leventis company that since the import ban on barley has been producing beer with barley/maize mixtures.

A grits mill capable of milling 1.5 tonnes of maize an hour is currently being assembled on the farm. Also being assembled is a parboiling unit, intended to satisfy the needs of a Nigerian public whose taste in rice in recent years has been influenced by American imports. Storage silos with a holding capacity of 17,000 metric tonnes are already in use.

Everything is big about this 28,000-acre operation. The only thing missing is Texas itself

With a heavy N45.9m capital investment in farm machinery and processing equipment, Maize Products' fully mechanised operations will not begin to show profits before 1991. The price of imported equipment is, in fact, the largest single factor inhibiting the development of large-scale commercial farming by other companies.

Farming anywhere in the world is a risky, long-term business, and the Nigerian past is littered with large-scale ventures that have become large-scale failures. But if present incentives to agriculture such as Nigeria's grain import ban are maintained, Leventis feels its investment will pay off.

Nicholas Woodsworth

Nigeria's foreign trading partners live in hope of a sustained recovery in the long-term, says **Peter Montagnon**, World Trade Editor.

Chronic squeeze on imports

Lagos, the commercial capital of Nigeria and the focal point for foreign trade which in recent years has suffered much through the weakness of oil prices. Despite the problems, Nigeria, with its population of over 100m, still remains the largest foreign trade market in Black Africa.

IF THERE is one factor that continues to dominate any assessment of Nigeria's foreign trade prospects, it is the weakness of the oil price which has slashed export revenues to less than a third of their peak $26bn in 1980.

The result has been a corresponding and chronic squeeze on imports that has removed from the Nigerian market much of the glamour and potential it held for Western exporters at the height of the boom in the early 1980s.

Yet Nigeria still retains a certain lure. With a population of over 100m, it remains the largest market in Black Africa. Its trading partners live in hope of sustained recovery, though increasingly these hopes are now pinned on implementation of the Government's structural adjustment programme that should revitalise its non-oil sector rather than any uncertain recovery in oil revenues.

Notwitbstanding Nigeria'a efforts to liberalise its international trade regime over the past 18 months, however, low oil revenues and a continuing shortage of foreign credit brought about a further decline in the volume of Nigeria's foreign trade last year.

According to International Monetary Fund figures, imports fell by $1bn to $5.7bn, while exports rose to $7.4bn from $6.8bn, giving a surplus for the year of $1.7bn.

While non-oil exports, particularly of agricultural goods led by cocoa, have been creeping up, they still amount to little more than $500m, which means that Nigeria remains dependent on oil for over 90 per cent of its export revenues.

On the import side its problems have been compounded by the fact that its main suppliers continue to be countries whose currencies have appreciated against the US dollar in which its oil revenues are denominated.

The UK is still Nigeria's largest single supplier with sales totalling £353m in the first nine months of last year compared with £424m in the same period of 1986. It was followed by West Germany and France with sales of £232m and £175m respectively. Sales by both these countries fell steeply during the period, however, with respective declines of 31 and 24 per cent.

These figures illustrate clearly how badly Nigeria needs to develop its non-oil exports if it is to finance a recovery in imports of raw materials and capital goods without which there is little prospect of sustained industrial revival.

Manufacturing industry has so far shared little in the slow growth of non-oil exports.

The steep devaluation of the Naira, which has sunk to around 25 US cents from parity with the dollar in January 1986, should have made local products more competitive. In fact, export markets are developing for only a few local manufactured products, notably textiles and, to a very limited degree, beer. Even these are growing very slowly.

Instead, the Government is having to contend with continuing pressure from industry for maintained protection against imports.

Most manufacturers in Nigeria rely heavily on imported components and raw materials. For them the key is to ensure that component supplies carry a rate of duty less than finished products, but the full-scale review of tariffs introduced as part of this year's budget still left some sectors dissatisfied.

The most vociferous complaints have come from the heavily depressed vehicle assembly sector. According to Mr Oladapo Fafowora, executive director of the Manufacturers Association of Nigeria, the new tariffs "should be received positively on the whole, but there are certain anomalies."

He said the association had received complaints from the tin-plate, packaging and bicycle industry, while a further indication of specific sectoral difficulties came with an advertisement in the Lagos business press last month by the light bulb manufacturing industry which claimed it was being undercut by imported goods. The industry demanded a steep increase in tariffs on imported bulbs and a corresponding reduction on levies on foreign components.

The main thrust behind the new tariff policy was to pre-empt such complaints through the promotion of local inpnts. Whare local materials are readily available, import protection remains strong, but it is generally weaker where industry is forced to rely on imported parts and materials.

There is much anecdotal evidence that this has led industry into an intensive search for local supplies. Parts of the food processing industry are reportedly switching to local eggs instead of imported egg powder, the cement industry is using more local limestone and the ceramics industry more local kaolin.

In this year's budget the Government announced that extra landing charges would be imposed on imported goods which have local substitutes to compensate for the excise duty on local products. It also banned the import of alnminium sulphate, malt and barley as well as used and retreaded tyres in order to promote the use of local substitutes.

If the depressed state of local manufacturing industry explains this type of policy, it is not without its critics because it implies a continuing reliance on protection which risks ultimately aborting any recovery in actual exports of manufactures.

The new tariff levels introduced at the start of the year give an average non-weighted tariff of 25 per cent compared with 31 per cent previously. Yet, according to the Government's seven-year tariff schedule, the figure will rise again to 28 per cent in two years' time.

One worry, therefore, is that industry is not being forced into a progressive adjustment that would make it more efficient. Another is that the policy itself is inconsistent.

Some economists argue that the new schedule will inhibit non-oil exports through the high taxation of specific imported inputs. This affects particularly the textiles, agriculture, rubber and beer sectors, which are generally regarded as being among the industries with the best export potential.

Moreover, the new tariff structure also imposes high tariffs on equipment needed to improve the general infrastructure and to repair and maintain industrial plant. This could slow down efforts to improve the transport sector as well as slowing the pace of recovery in the key agriculture and textiles sector.

The Government has set up a review board for tariffs which may remove some of these anomalies in due course. Even so, the prospect of a substantial rise in non-oil manufactured exports looks remote.

Nigerian labour costs were low even before the devaluation of the Naira, but industrial efficiency is still seriously impaired by a poor infrastructure with unreliable power supplies and excessive installed capacity in many sectors which increases fixed costs.

Until these fundamental factors change, Nigeria's best hopes appear to lie in the agriculture sector which has benefited from the fall in the Naira and is slowly recovering after long years of decline. Even here, however, progress is still far too limited to free Nigerian trade from dependence on the vagaries of an uncertain oil price.

Uninsured trade credits

Long saga draws to a close

THE long-drawn-out saga of Nigeria's uninsured trade credits seems finally to be drawing to a close following January's approval by a majority of creditors to reschedule around $4bn in unpaid debts for 22 years.

With the rescheduling Nigeria has not only lanced a problem that has plagued it since the early 1980s when many of the debts were first incurred. It has also put in place the final plank of an overall dabt restructuring that includes agreements with official creditors gronped together in the Paris Club and commercial bank creditors.

Yet its deal with the uninsured trade creditors is far from being an entirely happy ending to the story.

Many creditors doubt Nigeria's ability to keep np payments under the revised schedule. There is also lingering resentment about its decision virtually to ignore some claims totalling about $2bn which have been excluded from the arrangement.

In December last year the central bank announced that it would no longer consider claims from creditors which had not already been reconciled with its own records. By that time $3.2bn had already been reconciled and the authorities were in the process of issuing promissory notes in respect of a further $500m in claims.

To outcries of protest from disappointed noteholders, the central bank announced that no more notes would be issued. Ineffect, it was disowning some $2bn in debts.

In mid-January creditors met in London to consider the rescheduling plan which they reluctantly accepted. Few found the terms of the deal satisfactory, but a general feeling that it was unlikely to be improved carried the day.

A subsequent challenge to the vote by a group of dissident creditors was rejected by the High Court in London. These had argued that the voting was distorted because no arrangements were made to protect creditors' anonymity and many were afraid of jeopardising their continuing business with Nigeria by voting against the proposal.

The court ruled that creditors had no grounds to insist on anonymity, effectively squashing further attempts to have the vote overturned. In short, Nigeria had overcome the last hurdle in its efforts to steamroller the deal through.

The uninsured creditors never managed to win much international sympathy. Their bargaining power was undermined by a failure to group together in a concerted and public way to insist on more favourable treatment.

Government officials in many countries argue that it was the trade creditors' free choice in the first place to extend uninsured credits. At least some of the claims lodged with the central bank were fraudulent.

Yet many even of those which have now been disowned by the Nigerian authorities are genuine claims from companies with a long history of close trading relations with the country.

Holders of these claims are unlikely to increase their exposure to Nigeria in the foreseeable future and the rescheduling agreement is likely to be a significant deterrent to fresh investment flows.

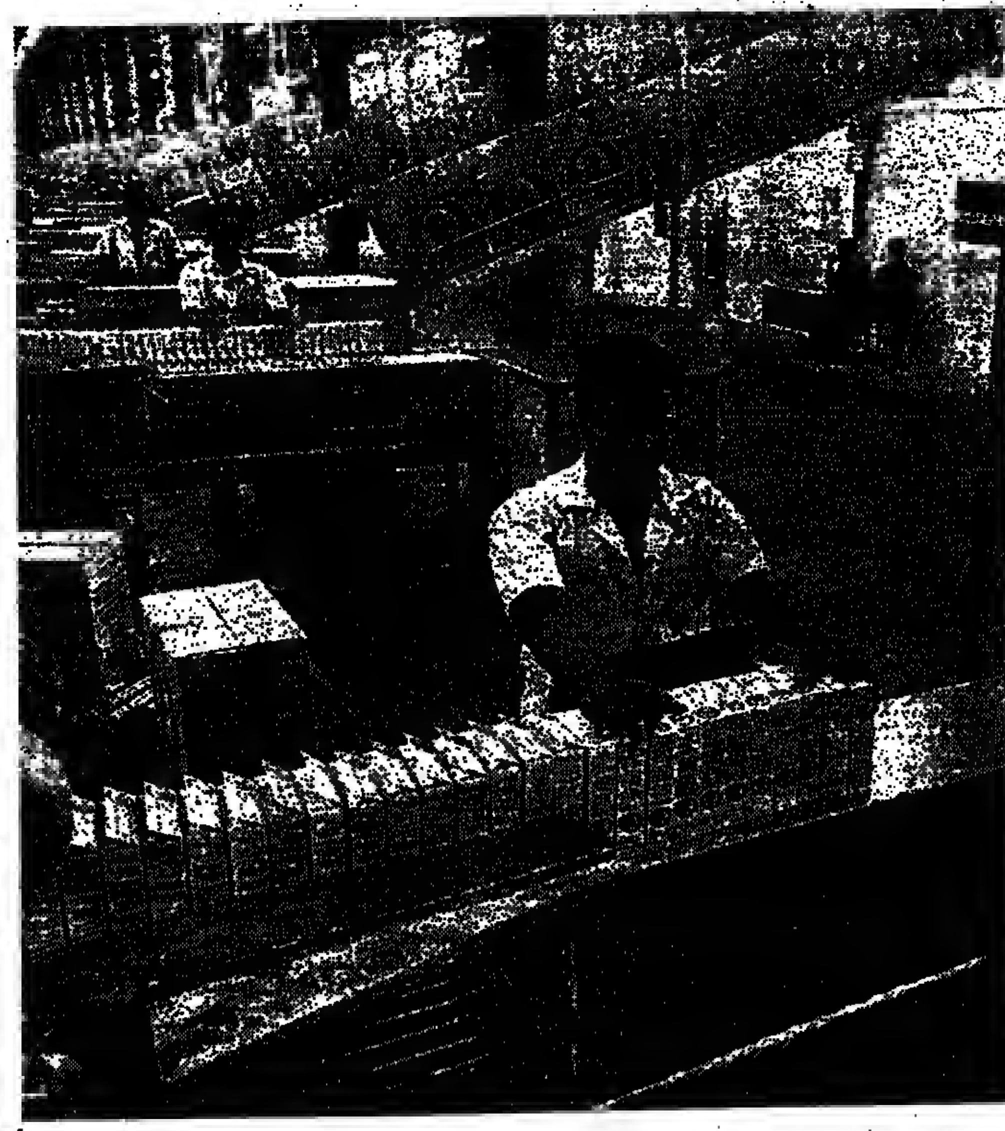
Moreover, the latest rescheduling is no more than a second restructuring of debt that had already been rescheduled once in an agreement that Nigeria ceased to honour in 1984.

Against that background the abiding worry is that Nigeria, which is currently facing an acute shortage of foreign exchange, will fail to live up to its new deal. A test of its resolve will come next month when a first payment of $50m on the new deal falls due.

Peter Montagnon

Peter Montagnon looks at the country's import regime

Advantages of the forex auctions



Loading cargo at the port of Cotonou in Benin and (right) the assembly line for Elephant detergent

ONE OF the undoubted achievements of Nigeria's structural-adjustment programme has been the introduction more than a year ago of regular foreign exchange (forex) auctions, which most businessmen say are now working very smoothly.

The system amounts to a major step in import liberalisation since it replaced the arbitrary and unpredictable regime — which was wide open to abuse and corruption — of import licensing through the central bank.

The auctions, at which $115m is currently put on offer by the central bank each fortnight, have in effect created a market clearing system, providing for the allocation of foreign exchange resources to the highest bidder.

Long gone are the days when importers depended on the whim of the central bank for obtaining licences. As a result, their administrative costs are now substantially lower. To some degree this has helped offset the inflationary impact of a currency depreciation which has taken the local currency to more than Naira 4 per dollar from rough parity at the start of 1986.

Nowadays a manufacturer needing spare parts does not have to wait for an import licence. If his requirement is urgent, he can simply bid at the auction at a level high enough to ensure success.

This has enabled business enterprises to plan ahead and to overcome the kind of bottlenecks which used to occur regularly through a shortage of raw materials and spare parts.

One sign that business has adapted well to the new system is that the range of bidding levels at the auction has narrowed markedly compared with the early days. Most businessmen say they can calculate fairly accurately the price they will need to bid to obtain the amounts of foreign exchange they need. Pre-emptive high bids have therefore become progressively unnecessary.

This is not to say that Nigeria's import regime is now fully liberalised. There continues to be a list of banned products ranging from wheat and malt barley to champagne, and the central bank has laid down guidelines to commercial banks suggesting that funds bought at auctions should be used for the import of capital equipment and raw materials rather than for luxury goods.

Also, the auction system has continued to compress import activity. Businessmen say that their greatest problem is no longer foreign exchange but finding the Naira needed to buy it at a time of relative monetary stringency.

The price of borrowing locally to meet the high cost of foreign currency itself is steep. This means that the end price of imported products in the local market can be so high that demand simply evaporates.

This is helping to reinforce a drive towards import substitution in the Nigerian economy. Total imports last year are estimated by the International Monetary Fund to have fallen by around $1bn to $5.7bn.

At the start of the year the central bank increased the amount allocated to the fortnightly auctions to $115m from $100m. Theoretically, this should allow for a corresponding small increase in import activity.

However, it is also now pressing parastatal enterprises such as tha telecommunications and power authorities to turn to the auctions for their foreign exchange needs. Unlike private sector concerns, these state-owned corporations were previously entitled to apply to the central bank for foreign exchange which they obtained at the lowest accepted auction rate.

Though medium-term project outlays will still be financed by export credits and other official funds, auction demand from the parastatals for their short-term needs could well absorb much of the extra funds available.

The result is that imports are likely to remain depressed for a long time to come, but the difference now that the auction system is well-established is that the Nigerian economy can concentrate on buying the goods it really requires when it needs them.

Manufacturing

The Dunlop potential

NO-ONE CONNECTED with Nigerian industry would deny these days that the country faces an urgent need to develop manufacturing industries that might eventually reduce the country's dependence on exports of oil.

There is, however, considerable controversy over both the question of whether such an industrial diversification is feasible and, if so, what kind of industries should be best placed to lead the field.

The questions centre around criteria such as finding a sector that is well integrated with domestic industry, that can draw on local materials and can be competitive internationally at least in the regional market.

The tyre industry, according to some local economists, presents one example of such a sector with potential.

Coincidentally, it is attracting new investment at the moment. Dunlop Nigerian Industries, which is planning to spend Naira 175m doubling its capacity over the next couple of years, provides a practical illustration of the issues at stake.

There is a natural logic in expanding such a sector of the Nigerian economy. Nigeria is host to five local motor vehicle assemblers, all of whom are seeking to increase the local content in their output. At the moment Dunlop and Michelin, the two manufacturers, supply only 55 per cent of the country's requirements. Yet raw materials in the form of rubber, as well as carbon black from the Nigeria National Petroleum Corporation plant at Akpan near Warri, are readily available.

Mr Tjeerd Visser, a Dutchman who is Dunlop's local managing director, makes an additional point when he contrasts the tyre business with other sectors. "We are a real manufacturing industry, not just in the bottling, packaging or assembly business."

The project, which will make car and van tyres, is due to come on stream in the second half of next year and the additional capacity will be fully operational in early 1990.

Mr Visser will not give details of the volume of increased output, but he says that eventually some of it will be exported to neighbouring countries.

Despite the generally rather restrictive climate for industrial investment in Nigeria, the project has not been difficult to finance. Dunlop itself is providing some capital through a rights issue to which BTR, its UK shareholder with 37 per cent, will contribute.

It has also attracted two hard currency loans of $12.5m apiece from the Nigerian Industrial Development Bank and from the International Finance Corporation, the World Bank affiliate which concentrates on funding the private sector in developing countries.

The development of the foreign currency auction system has made it easier for companies to plan new investment, Mr Visser says. Under the old import licensing system they had to expend all their energies on securing raw materials.

It would have been cheaper in local currency terms to finance the project with a foreign currency loan before the steep devaluation of the Naira, he continues. This has taken it from parity with the dollar in January 1986 to over Naira 4 per unit of US currency today.

Yet debt servicing costs would now be correspondingly higher. Mr Visser says Dunlop will try to reduce the exchange risk inherent in the project by borrowing Naira locally and converting them into foreign currency through the auctions rather than drawing on its hard currency finance.

Local content of the new output should amount to some 65 per cent, he says. Though he describes a recent government decision to ban the import of retreaded and second-hand tyres as mainly a safety measure, it will help the new plant to be competitive.

Beyond that, the current tariff structure gives the tyre industry an effective advantage over imported tyres of 12.5 per cent.

"We feel that, with the high local content which we have and the very sophisticated equipment we will have, we will be competitive," he says.

Like many local businessmen, Mr Visser is looking ahead to the chance of exporting to neighbouring countries that are members of the Economic Community of West African States (Ecowas), most of which do not produce tyres.

There is, however, a note of caution. Tyre import duties in such Ecowas countries as Togo and the Ivory Coast are the same for Nigerian exporters as they are for Japanese, European and US manufacturers.

As an Ecowas member, Nigeria should be treated differently, Mr Visser says. "We are looking to the governments of these countries finally to show some determination with respect to the creation of a genuine common market."

Peter Montagnon

Motor vehicles

An industry whose viability remains in doubt

NIGERIA'S EFFORTS to establish a domestic motor vehicle industry date back to the mid-1970s when the oil boom really got under way.

It formed part of a policy of developing a broad industrial base by using oil revenues to purchase whole industries more or less off-the-peg. Assembly plants were established, using kits imported from manufacturers in the industrial world. The hope was that this would stimulate a fully-fledged local industry which could contribute an increasing proportion of local content to its output

Now, in the aftermath of some five years of economic decline, the motor industry has become an example of the doubtful worth of this whole industrial policy. It is severely depressed — capacity use hovers around 10 per cent or even lower — and a large question-mark hangs over its future viability.

The controversy over the industry's future contains two slightly different strands, however. In the short term the main concern is whether the industry can recover from its immediate doldrums. For the longer term, there is a more fundamental issue at stake: is a vehicle industry ever going to be viable in a country like Nigeria?

There is no doubt that the immediate cause of the industry's problems stem from the steep decline in the Naira that accompanied the introduction of the Babangida regime's structural adjustment programme in 1986.

This has resulted in a massive escalation of prices even of locally assembled vehicles, because of the continuing high level of imported input. According to Federated Motor Industries, which manufactures Bedford vehicles, the price of a five-ton tipper has more than tripled to just over Naira 150,000.

Peugeot, which dominates the passenger car sector, has pushed up its prices to the point where a bottom-of the-range model now retails for around Naira 42,000. This is way out of reach of the average car buyer (a senior civil servant, for example, earns less than Naira 20,000 e year), and as a result the market has simply dried up.

Mr Daniel Lange, managing director of Peugeot Automobile Nigeria, says that his output last year amounted to just 7,323 cars compared with an installed capacity of 65,000. Taken together with the output of Volkswagen, Nigeria's other passenger car producer, Nigeria assembled fewer than 10,000 cars last year, he estimates.

The important question facing the industry, however, is whether this is just a temporary cyclical phase, or whether it demonstrates that vehicle assembly in Nigeria is ultimately unviable.

Reliance on imports would be 'like the 1960s when Lagos was riddled with broken-down vehicles which no one knew how to repair'

Mr Lange argues that the market is already showing soma signs of picking up, following the reflationary measures announced in this year's budget address by President Ibrahim Babangida.

Even though the private buyer remains out of the market, government agencies and companies are able to buy more vehicles, he says, with the result that Peugeot's output could double in 1988. Given sufficient protection, the industry could flourish again within two or three years, he says.

The local motor industry is supported by a strong domestic lobby, which sees it as an important employer and a long-term asset to a market of more than 100m people as well as a potential regional export earner.

According to Chief Ernest Shonekan, chairman of the Unilever affiliate UAC, Nigeria also needs a motor industry because of the technology transfer that it brings. Only with a local manufacturing base will it be possible to provide adequate servicing and repair facilities.

Reliance on imports would be "like the 1960s when the whole of Lagos was dotted around with broken-down vehicles which no one knew how to repair."

Yet arguments such as these beg e number of questions. Is assembly ever going to be profitable, given the modest success achieved by the industry so far in introducing local content?

Nigeria is a large market in terms of population, but it is also one with relatively low spending power. Can output ever be sufficient to yield a satisfactory return on fixed investment?

Questions like these are coming to a head with the decision announced by President Babangida in his budget address to invest heavily in mass transit. The budget allocated Naira 700m to this sector, a large proportion of which is to go to the purchase of buses, which the President said should be locally-built.

The commercial vehicle assemblers, Federated Motor Industries, Anambra Motor Manufacturing Co (Anammco) which handles the Mercedes Benz marque, and Steyr Nigeria, are now all vying eagerly for this business.

Federated, which has a well developed body-building capacity, is stressing its ability to assemble locally. Steyr is planning to expand its local range to include buses. Anammco says it is planning to build 200 mid-size buses and 60 city buses this year.

It has also recently won a $21m order to bring in 300 completed buses from Brazil. Within the industry this is a controversial deal because the buses were ordered in fully-built-up form contrary to the guidelines laid down in the budget.

Equally, however, some motor industry executives admit that current local capacity may not be sufficient to meet all the demand should the Government go ahead with its spending plans.

Possibly in an effort to reduce the cost of the locally-assembled buses it would like to buy, the Government has also reduced the effective protection granted to the industry to 5 per cent from 10 per cent. Effective protection is the duty differential between imported kits and components and fully-built-up vehicles.

Altogether, the tariff changes announced in the budget have left the motor industry both disappointed and confused about the Government's intentions. While reducing the effective protection granted to buses, that on cars was left unchanged at 25 per cent.

NAMA, the motor industry association, which has been seeking an effective protection rate of 40 per cent for the industry as a whole, says it is seeking an urgent review of the new tariff structure.

Already the difficulties facing the industry have forced the closure of two commercial vehicle assembly plants operated by Leyland and Fiat-Iveco. It may be that the Government's ambivalence is intended to promote further consolidation, though it is hard to see either of the two passenger car assemblers pulling up sticks.

Faced with the current market difficulties, most vehicle assemblers are turning their attention to refurbishment of existing vehicles, which have suddenly become potentially valuable assets to many owners after the rise in prices.

Peugeot and SCOA, the French conglomerate which has e separate licence to assemble Peugeot pick-up trucks in Nigeria, are also investing in a joint component plant.

It remains uncertain, however, whether ventures such as these will be sufficient to tide tha industry over until better times arrive.

A categorical decision by the Nigerian Government to allow the industry to wind down would, meanwhile, carry political risks because of the vested regional interests involved in many of the assembly plants.

At the end of the day, it may well be up to the market to decide the industry's future. For the time being the omens in the marketplace are not at all good.

Peter Montagnon

Export credits

A battle for restoration of cover

The devaluation of the Naira has increased the export potential of some locally-manufactured goods such as textiles — while Nigerian beer is being sold in London, albeit in small quantities.

NIGERIA'S long-cherished hope of a resumption of export credit cover from its main industrial creditors may at last be fulfilled in 1988.

The battle for restoration of cover for much-needed infrastructure, industrial development and agricultural projects has been a long-drawn out and tantalisingly elusive process, however. Even now that it is apparently drawing to a close many pitfalls remain.

As far back as a year ago, it seemed possible that cover could be quickly restored following the framework rescheduling agreement with industrial country creditors grouped in the so-called Paris Club that was reached in late 1986.

By the time of last year's International Monetary Fund meeting in Washington, however, Dr Chu Okongwu, Finance Minister, was complaining publicly about delays. Only now, according to Western experts, are the difficulties surrounding actual implementation of the Paris Club agreement slowly being overcome.

Pressure has also been mounting among companies in the industrial world for a resumption of cover that would allow them to do fresh business in Nigeria, but official export credit agencies have had to contend with a frustrating series of administrative obstacles.

The consensus in the Lagos diplomatic community is that these are now in the process of being resolved. Indeed, according to some optimistic estimates export credits worth as much as $1.5bn could be on the table this year, though no one is prepared to say with certainty how much of this money will actually be spent.

The main problem now centres on continuing payments arrears under the Paris Club agreement. Though Nigeria has deposited the necessary funds in a special escrow account at the Bank of England, it has been slow to authorise release.

Early last month, Britain, which had announced a £200m credit line together with funds for the completion of existing priority projects, was still owed £100m. France, which had undertaken to guarantee FFr2.5bn for 13 projects, faced a similar arrears problem and quietly announced in the autumn that it would not consider further finance.

Part of the problem has been the extreme difficulty facing the Nigerian authorities in reconciling claims with their own records. This is a complicated administrative task which affects the calculation of the actual amount owing.

Beyond that there have been disagreements with some countries over who is responsible for bearing the cost of the Naira devaluation and how interest owing should actually be assessed.

This, coupled with a shortage of specialised staff in the Nigerian government, has led to delays in signing bilateral agreements with some leading trading partners, notably West Germany, Italy and Japan.

Signature of the West German agreement was abruptly postponed last autumn after Nigeria challenged some of the clauses in the bilateral agreement. As a result West Germany is likely to be one country to show extreme caution about a restoration of cover.

Meanwhile, Nigeria will soon have to embark on a fresh round of Paris Club negotiations to cover debts still outstanding from 1987 and those falling due this year and next. Success in these negotiations depends on the imprimatur of the International Monetary Fund for Nigeria's continuing economic reform programme.

This could produce fresh delays in the provision of export credit cover, though attitudes vary from country to country. More important in the minds of many agencies is the need to keep debt service payments current under the existing rescheduling.

The UK, for example, is understood to have decided to release new money only at a pace reflecting payments received from Nigeria itself.

Indeed it was a payment of some £25m just before Mrs Thatcher's visit to Lagos in January that allowed her to announce plans to speed up talks on a £22m loan, through the Export Credits Guarantee Department, to finance the completion by Biwater of the Niger state water supply project.

Coincidentally, one other deal that has been signed since the Paris Club rescheduling is also in the water sector. In December France reached agreement with Nigeria for a FFr1.6bn credit to finance the Lagos water supply project, first conceived 10 years ago, for which the World Bank is also providing finance. The contractors are Sogea and Degremont.

However, a further problem facing would-be contractors is the continuing muddle over the type of projects which should receive priority.

Nigeria is still seeking finance to complete the controversial Ajaokuta steel complex and the new federal capital of Abuja, even though both projects have been criticised by the World Bank.

It has also run into criticism from the Bank for its plans to develop an export capacity in the petrochemicals sector. Meanwhile there is evidence of jockeying for priority by various individual sections of the Nigerian federal and state governments.

Of most immediate concern to the World Bank, however, are basic infrastructure rehabilitation projects in the power supply, transportation and agricultural sectors.

When the US restores cover it is likely to confine its activities to projects that are certified as top priority by the Nigerian Government.

Britain has made it clear that it will liaise closely with the World Bank over new projects. It wants its £200m line of credit to be used in small packages to help medium and small operations in the agricultural and industrial sectors.

Among the projects it is looking at are a tractor rehabilitation plant with Massey Ferguson and Ford, and in the longer term, along with the World Bank, the development of the fertile Mambilla Plateau in North-West Nigeria which now produces some tea and coffee but which also has forestry and livestock potential.

For its part Nigeria, which hitherto has not been a major aid recipient has been seeking soft loans from its creditors. The response so far has been limited, though Canada has agreed to finance the supply of rail locomotives by its Bombardier concern.

The outcome of the negotiations on export credit cover will clearly depend to some degree on the behaviour of individual export credit agencies. Like commercial banks, they tend to suffer from a competitive herd instinct, and if one breaks ranks and restores cover on favourable terms, the others will come under great pressure to do likewise.

However, the climate of the negotiations has so far been so difficult that the chances of a free-for-all stampede to return to the market are now widely regarded as remote.

This is not to say that the export credit agencies are inherently reluctant. Most of them recognise that in a period of scarce commercial bank and private investment finance they have a crucial role to play in financing the rehabilitation of the Nigerian economy.

They know full well that Nigeria will never be in a position to pay off its existing debts without such a rehabilitation, but as cover is restored many will also be hoping that they are not throwing good money after bad.

Psychologically, this may also be a reason which explains a certain reluctance to take the plunge. For most of the agencies, restoration of cover after such protracted negotiation is little more than an uncertain act of faith. Only time will tell whether it will eventually pay off.

Peter Montagnon

Company profits

Inflation fudges picture as operating margins double

STRUCTURAL ADJUSTMENT has been good for company profits in Nigeria, depressed levels of consumer demand notwithstanding. The published results of 61 stock exchange-listed companies show that in 1986-7 both turnover and profits rose by more than 17 per cent, following increases of 6 and 2 per cent respectively, in 1985-6.

Operating margins — pretax profits as a ratio of turnover — which virtually doubled from 8.8 per cent to 1983 to more than 16 per cent in 1985, slipped to 12.3 per cent in 1986 and remained at that level last year.

But industrialists stress that the published results paint a far rosier picture than is really justified. The main reason for this is that after five years, during which inflation has averaged 15 per cent annually while the exchange rate depreciated some 55 per cent a year in 1986-7, many — probably most — industrial companies are under-depreciating their plant and machinery. As one company director puts it: "If our shareholders were to see a set of inflation-adjusted accounts, they would get a nasty shock."

Currency depreciation and inflation have raised the naira value of industrial assets, especially those with a high import content. In this situation, sales and profits must also rise steeply if realistic depreciation provisions are to be made and if returns on capital employed are to be maintained.

Clearly this did not happen in 1986-7 when the rise in sales turnovers and profits — of 17.5 per cent — was substantially outpaced by the 62 per cent decline in the naira. Evidently, the real return on capital in many firms was falling.

A better year than could have been forecast

This caveat aside, 1987 was a better year for corporate earnings than could have been forecast a year ago. Then, it seemed that industry would be caught in a liquidity squeeze as interest rates rose and corporate cash flows deteriorated while consumer demand weakened.

Undoubtedly, many companies experienced such conditions, but again and again, company reports refer to SAP's benefits in the form of much-improved access to foreign exchange and thereby imported raw materials and spares resulting in an improvement to capacity utilisation rates.

Profits were boosted too by the once-off "holding gain" effect of naira devaluation, with pre-auction stocks of goods being sold off at higher post-auction factory-gate prices.

Inflation, officially put at 14 per cent last year, was less of a problem than forecast, partly because weak demand kept prices in check, but also because spare capacity was widely available and the full impact of devaluation on input costs was felt only in the latter half of 1987 and will show up in 1987-8 results.

Prospects for 1988 are mixed. On the one hand, the Government's reflationary strategy should boost consumer demand substantially and with most companies operating with considerable spare capacity, unit operating costs will fall as output expands.

On the debit side, however, the impact of rising import costs and domestically-generated inflation — specifically the anticipated 20 to 25 per cent increase in wages and salaries — will squeeze margins. On balance it seems likely that the beneficial impact of reflation will be more than offset by cost inflation pressures, pointing to a decline in the average operating profit margin from last year's 12.3 per cent to below 10 per cent.

This scenario could well turn out to be unduly pessimistic. There is little doubt that during the strenuous years of austerity and structural adjustment, Nigerian business has shed much of its fat, becoming leaner and more efficient.

Industrialists believe that their operations are, in general, considerably more efficient than five years ago. It is obvious, too, that some of the tariff changes and the abolition of import controls have forced firms to become more efficient, though whether such productivity gains will be

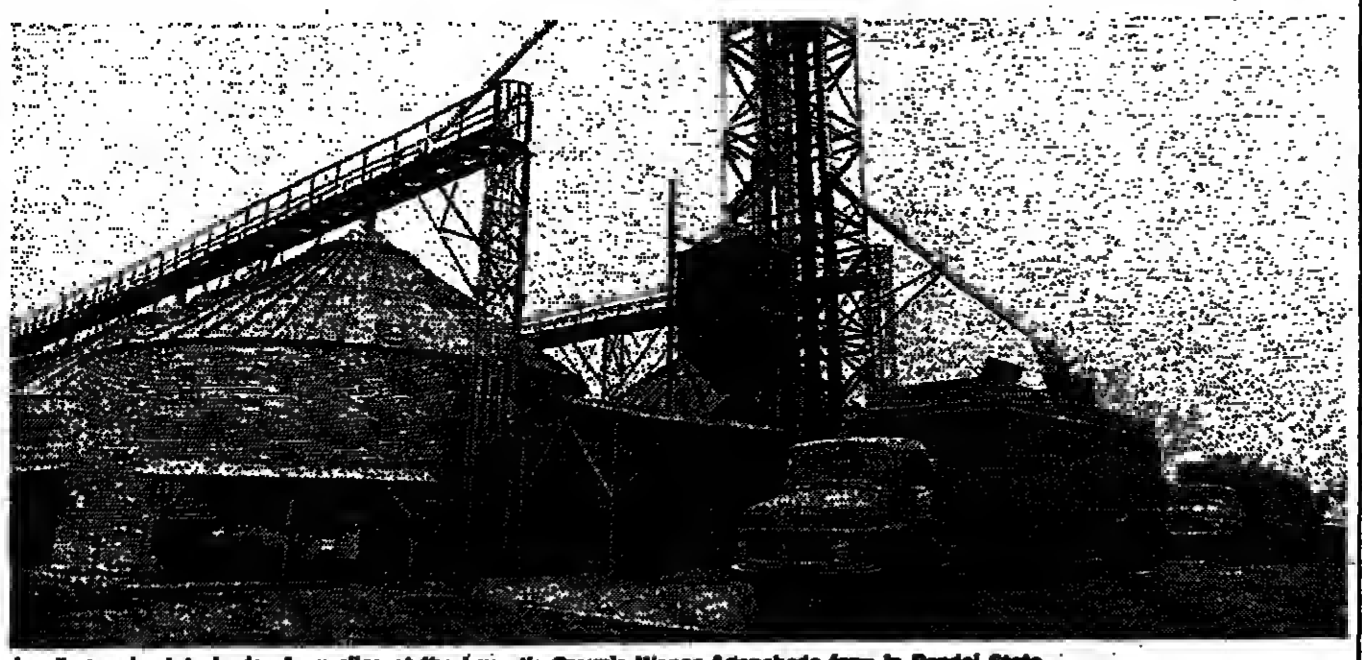
Nicholas Woodsworth on the prospects for agriculture

Obstacles to 'food first' philosophy

ENCOURAGED BY new incentives provided by the structural adjustment programme (SAP), the Nigerian agricultural sector has entered a transitional phase. Despite hesitancy by government, private investors and farmers alike as to how best to proceed, prospects for agriculture are better than they have been for 20 years.

Since the inception of SAP, the Government's attitude to agricultural development has changed radically. Despite proclamations of agricultural revival under such programmes as "Operation Feed the Nation" and the Nigerian "Green Revolution", previous regimes had done little to redress the mismanagement of agriculture during the oil-boom years of the last decade.

The present administration, however, has realised the vital importance of agriculture to the entire Nigerian economy. Hard pressed by slipping oil revenues and a 75 per cent devaluation of the naira, it has recognised that it can no longer afford costly food imports. According to President Babangida in his 1988 budget speech, food production and agriculture now have "pride of place" in Nigerian economic strategy. New economic policy, he said, is "based on the conviction that a 'food first' philosophy is the beginning of the journey towards self-reliance and economic recovery."



Loading maize into lorries from silos at the Leventis Group's Weppa-Agenebode farm in Bendel State

Accordingly, in its 1988 capital expenditure budget provisions the administration has allocated to federal agricultural and rural development agencies more than N850m. This is a significant increase compared with previous years and the largest sectoral allocation in the budget.

The bulk of this allocation is earmarked for the Directorate of Food, Roads, and Rural Infrastructure, the main instrument of government agricultural policy. Created two years ago, the directorate is responsible to the President's office. With a budget of N500m, it is designed to play a key role in the development of rural roads, water supply and electricity, although opinions on its performance are mixed. The other main agencies responsible for agricultural development are the state-run Agricultural Development Programmes, financed in part by the World Bank, which since the inception of its $1.5m loan programme to Nigeria has allocated 60 per cent of this sum to the agricultural sector.

The effects of SAP on agriculture have been varied. Price deregulation and the abolition of state marketing boards have given a tremendous boost to cash crops, while naira devaluation has caused a boom in commodity exports, especially cocoa. In staple food production the effects have been mixed. While farmers are now enjoying higher prices for their produce, a poor harvest last year in conjunction with a January 1987 ban on grain imports have driven consumer prices sharply upwards. A major drought in northern Nigeria this year has prompted analysts to predict an accentuation of this trend, with possible consequences for the nation's social and political stability.

Two aspects of SAP have proved particularly contentious. The first is the grains ban, which has not only hit consumers but large-scale mills, bakeries, breweries and livestock feed suppliers as well. The World Bank and foreign exporters, particularly the US, have pressed for a lifting of the ban, claiming it makes little economic sense and has not worked because of large-volume smuggling – estimates are that 300,000 tonnes of wheat alone last year illegally entered the country, a figure representing 10 times the amount of domestically-grown wheat. The Government, however, has so far refused to consider lifting the ban.

It is estimated that 300,000 tonnes of wheat entered the country illegally last year

The second issue revolves around a 70 per cent government subsidisation of imported fertilisers. Again the World Bank opposes the measure, largely because of the strain it puts on foreign exchange reserves (equal to more than 70 per cent of the Agriculture Ministry's budget), but also because smuggling and poor storage lead to the loss each year of 50 per cent of distributed fertiliser. The Government maintains the absolute necessity of cheap fertiliser for agricultural development, and has begun developing a domestic fertiliser industry.

Although rural infrastructure programmes are having an effect, Nigerian agriculture suffers from policy formation shortcomings. Lack of a coherent policy from ministerial level has affected the following areas:

■ **Price stabilisation.** Both commodity exports and crops for the domestic market are subject to extreme price fluctuations. These are due in the former case to the activities of commodities speculators who destabilise the market with intermittent, one-off investments designed to lift maximum profits. In the latter case fluctuations are due to continual shifts by farmers to crops currently paying the highest price. In line with its adherence to free market principles, the Government has refrained from market intervention. Critics, however, believe that Government should introduce price-stabilising mechanisms and in extreme cases step in as a buyer of last resort.

■ **Strategic reserves.** Glut followed by scarcity continues to be a feature of the grain market. Stabilisation would be encouraged by the building up of grain reserves, but so far the Government has failed to take effective action. It is estimated that up to 40 per cent of annual harvests are lost because of inadequate storage facilities.

■ **Agricultural credit.** Lack of collateral has severely limited the vast majority of farmers in obtaining extensions of credit. In theory, commercial banks are required to lend 15 per cent of their total loans to agriculture, but false agricultural claims by entrepreneurs have defeated the measure. In an attempt to redress the situation, the Government has recently required banks to lend a minimum of 45 per cent of rural deposits to rural borrowers.

■ **Statistics.** Recently Kano state announced it was growing 250,000 tonnes of wheat, but after careful study the US Department of Agriculture estimated Nigeria's entire output for 1988 was not more than 30,000 tonnes. The Government is hampered in policy formation by a serious lack of reliable statistics. National statistics agencies exist, but there is no sign that data gathering will improve.

While some major Nigerian firms such as Leventis, UAC and John Holt have invested in agriculture since SAP and accompanying state disengagement, the overall effect of such policy shortcomings has been to make smaller private entrepreneurs, who are less able to take risks, wait for a more stable investment climate.

If agriculture is to grow, farmers must emerge from subsistence activities and employ inputs, extension services and appropriate techniques to produce substantial surpluses. Problems of price fluctuation, strategic grain reserves, food imports, input supply and agricultural credit will only be overcome when Nigeria has developed policies and institutions adapted to the free-market conditions of the post-SAP era.

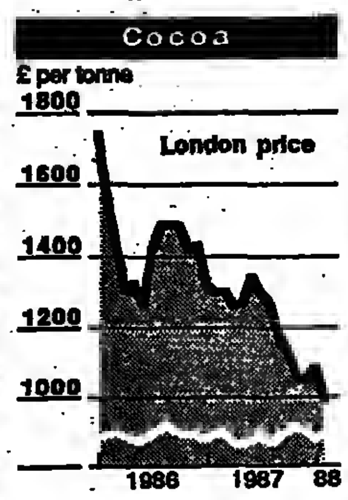
Nigerians are showing more interest in agriculture than ever before, but the way ahead is not entirely clear. Yet in the post-SAP era, agriculture needs policies and institutions that are adapted to the new economic climate.

Cocoa

More stable market seems in sight

WITH THE 1987-88 main crop cocoa season now drawing to a close, both producers and traders in Nigeria's largest non-oil export industry have grounds for satisfaction. Despite continuing problems, improved cocoa quality and a gradual trend towards price stabilisation are making their sector one of the most promising in the Nigerian economy.

While the repercussions of the Government's summary decision to abolish six state marketing boards in June 1986 are still being felt, the confusion that immediately followed the move is subsiding. Negative effects persist, but they are far outweighed by the advantages of increased producer prices and the boost given exporters by the devaluation of the naira. The result has been a revitalisation of a crucial but flagging cocoa industry.



The biggest change since the end of last year's cocoa season has been the consolidation of the activities of Nigeria's major cocoa trading houses. As firms such as Cadburys (Nigeria), Afro-Continental, John Holt and Nigerian Oil Mills adapt to the competitive nature of the free market, high farmgate prices and small profit margins are squeezing out speculators. In an industry that is slowly rationalising itself, the activities of vast numbers of smaller speculators have virtually been eliminated.

Market instability is still a feature of the Nigerian cocoa trade, however, and will not disappear overnight. The larger individual speculators and syndicates able to remain in the market continue to be more interested in short-term profits than long-term commitments. But they, too, are finding it increasingly difficult to compete with large-volume, long-term buyers, and market analysts have noted a decrease in internal price fluctuations. Some analysts predict a further development of this trend in Nigeria as declining world prices continue to reduce potential profits.

In order to avoid the mistakes of the past, trading houses are now evolving ever-more sophisticated purchasing and quality control techniques. In the cocoa scramble of 1986-87, when production had dropped to less than 3 per cent of total export earnings but prices had skyrocketed, many buyers were businessmen who had little or no knowledge of cocoa markets. This season, however, most cocoa was purchased by licensed buying agents (LBAs) who formerly worked for the cocoa commodity board but are now contracted to private firms. Where last season farmers were able to sell, and exporters to export, large quantities of sub-standard cocoa, both Government and the private sector have now introduced more rigorous inspection techniques.

A bag of cocoa bought by a Nigerian trading house now undergoes inspection at least three, and sometimes four, times. Grade A cocoa is first selected by an LBA at the site of production before being bought. Many companies then send a second expert to the farm to approve the purchase. Government inspectors subsequently inspect the cocoa twice – once at the LBA's warehouse, and again at the docks before shipment.

Several large companies have perfected the system to the point that terminal markets have expressed complete satisfaction with shipments of Nigerian cocoa. But elsewhere irregular procedures have done much to damage trade. It is estimated that last year 15 per cent of Nigeria's 100,000 tonne production, almost all of it sub-standard, was smuggled onto world markets. There have also been widespread allegations that much cocoa legally passed as Grade A was in fact inferior. As a result Nigeria's overseas reputation as a cocoa producer remains low and will take many years to restore.

About 15 per cent of Nigeria's production was smuggled onto the world market

Quality is one problem frustrating Nigeria's attempts to establish stable and realistic cocoa prices; another is the practice of selling beans to world markets for less than local producer prices. Mr Odubogun, sales and marketing director at Cadburys (Nigeria), believes that 25 per cent of this season's production (estimated by Gill and Duffus at 140,000 tonnes) has been sold at a deficit.

While this is partly a result of legitimate firms taking losses in order to meet previously contracted commitments, most of it is due to speculators converting naira to foreign exchange through the cocoa market. Hard currencies thus earned must by law be repatriated, but much of this money remains outside the country.

In line with its liberalisation policies, the Nigerian Government is keeping its involvement in the cocoa industry to a minimum. In Ondo state, where 60 per cent of Nigerian cocoa is grown on small holdings of two to three hectares, the parastatal Ondo State Investment Corporation owns only 5 per cent of the plantations. Only three grinding mills in Nigeria are government-owned. Forced to go into commercial operation with the abolition of the marketing boards, they have suffered heavy losses and today only one is functional. It is thought that these mills will shortly be privatised.

With cocoa today being bought domestically at between N7,000 and N7,400 a tonne, most Nigerian farmers need little state incentive to improve their plantations. In the last year there has been a remarkable improvement in the quality of the cocoa produced. Farmers are also reviving old plantations and starting new ones.

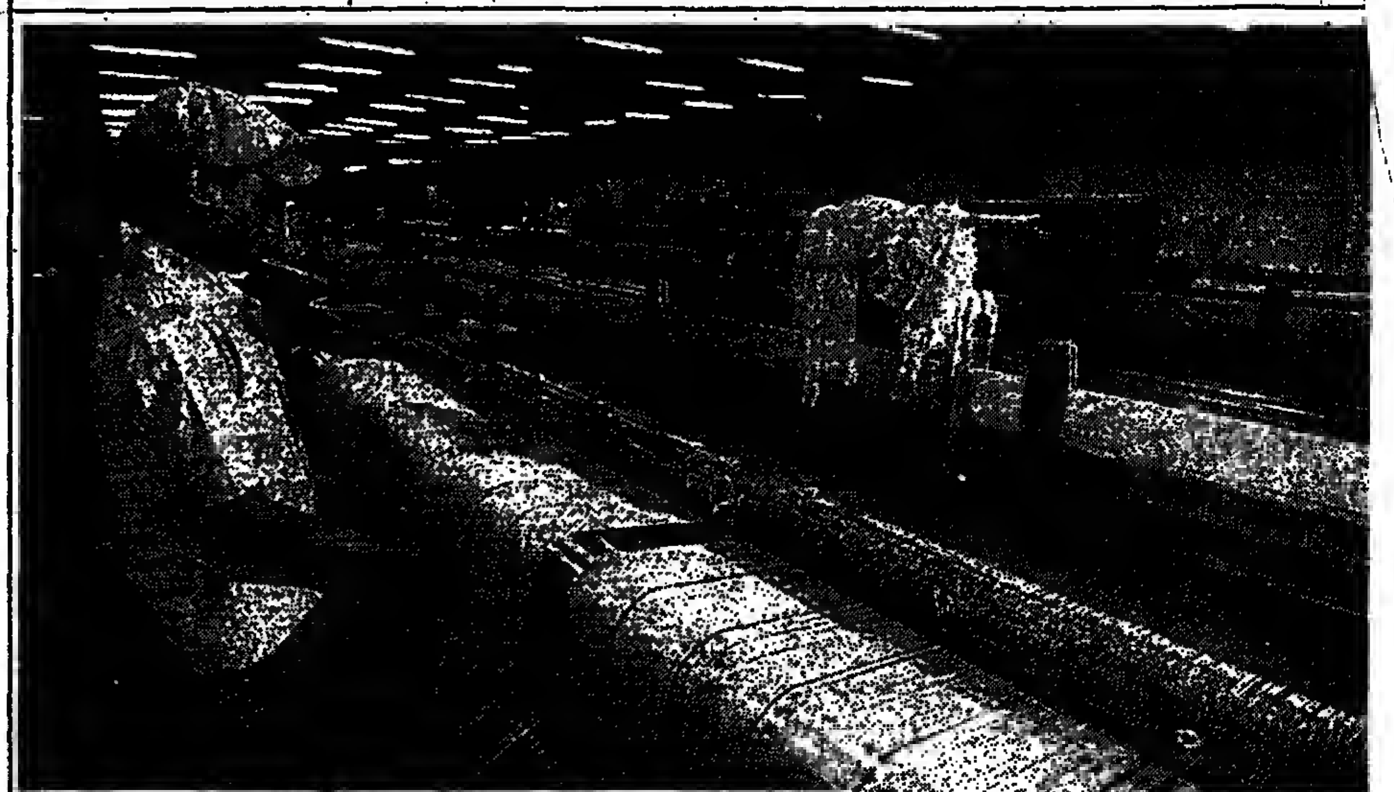
In the opinion of Mr Tim Harvard, an independent agricultural consultant, initiatives in new planting have come just in time. "Most Nigerian cocoa trees are well past their prime and new trees take five years to come into production," he says. "The Nigerian industry has let itself go almost too far to recuperate. One can only hope that world prices stay high enough in the near future to make reinvestment worthwhile."

Like many market analysts, Mr Harvard feels that cocoa and other significant commodity exports are performing well now but may not realise their full potential in the future because of a lack of coherent government policies.

While such bodies as the Nigerian Export Promotion Council and the Cocoa Association of Nigeria are active, there are few directives and little support at ministerial level. Commodities have been left in limbo, Mr Harvard maintains, at the very time market-stabilising strategies are needed.

The Nigerian Government, for its part, points to the very real advances liberalisation has allowed in the past 18 months, and plans no radical reorganisation of its commodities policy.

Nicholas Woodsworth



An operator supervises the weaving machines at the Nigeria Weaving and Processing Company's plant

Textiles

It's King Cotton again

COTTON, a Nigerian cash crop long ago nipped in the bud by cheaply-bought imported fabrics, has revived and is blooming with a 300 per cent increase in production in the past two years. Now supplying 50 per cent of the raw materials processed in Nigerian textile mills, local cotton remains in high demand and has so encouraged the textile industry that seven new mills have been commissioned since the beginning of 1987.

As it was with many other cash crops, Nigeria was self-sufficient in cotton in the 1950s and 1960s. Imported textiles and finished cotton goods paid for with oil profits virtually destroyed the market in the 1970s, however, and in 1985 only 10,000 tonnes of cotton were produced.

Cotton's comeback began with the abolition of Nigeria's commodity boards in 1986. Following a brief period during which cotton farmers with no commercial experience adjusted to free market conditions, competitive selling began to push prices upwards. A year ago they had risen to N850 a tonne; today Grade 1 cotton is selling at the farmgate for N1,600 to N1,800 a tonne.

With such attractive prices being offered, many farmers – to the concern of some agricultural experts – are now switching to cotton from less profitable food crops. Across northern Nigeria this year many farmers experimented with cotton for the first time. Highly labour-intensive, cotton is a difficult crop to grow, and the increased price of pesticides and equipment has encouraged the formation of village-level co-operative movements. Despite difficulties, cotton production has increased enormously – some sources claim increases of 500 per cent in two years – while the US Department of Agriculture conservatively estimates that production increased from 10,000 tonnes in 1985 to 27,000 tonnes in 1987.

With a domestic market of 100m clothes-hungry Nigerians, present cotton supply is insufficient. Foreign imports and local production together currently meet only half the demand of more than 30 Nigerian textile mills, whose annual needs are estimated at over 100,000 tonnes.

In an effort to meet production demands, several textile firms are investing in cotton cultivation. Some have negotiated medium-term production contracts with growers which include the provision of agricultural inputs. Others, such as Nigerian Textile Mills, have integrated backwards and purchased their own cotton plantations in northern Nigerian states. Because of heavy initial capital expenses it will take a number of years before these investments begin to pay off.

In the meantime, one of the best indicators of the shortfall in the supply of cotton is that smuggled bales of used and new clothing continue to arrive in large quantities from over the Benin border, to satisfy Nigeria's voracious cotton appetite.

Nicholas Woodsworth

Traditional methods of staple crop production are no longer sufficient to meet Nigeria's growing food needs, reports **Nicholas Woodsworth**

Biggest test yet for agriculture

IT IS commonly acknowledged in government circles that the excellent harvests of 1985 and 1986 provided an indispensable cushion to Nigeria's structural adjustment programme. In the oil-boom years, agriculture mattered less than the petrodollars that could purchase food imports; today crop production is regarded as a vital priority. Now heading into the second of two poor crop years, Nigerian agriculture, and consequently the entire economy, is facing one of its stiffest tests yet.

In an attempt to increase production and attain food self-sufficiency, Nigeria banned the importation of wheat, rice, maize, malt and barley in January 1987, saving an estimated $800m in foreign currency. Since then, the nation has managed to feed itself, although critics have heatedly argued that large-scale smuggling has made the ban an invalid test of self-sufficiency.

But the issue side-steps the real and deep-seated truth confronting Nigerian agriculture today: traditional methods of staple crop production are no longer sufficient to meet Nigeria's food needs.

About 95 per cent of Nigeria's farmers are subsistence or small-scale cultivators, growing crops on parcels of two hectares or less; depending on the area of the country, millet, sorghum, yam and cassava have been the traditional staples. In the past, farmers' needs were satisfied by "bush-fallow" farming, a system of shifting cultivation in which farmers would slash and burn small plots, cultivate them for a year or two, and then move to another plot before returning.

The system was perpetual and self-regenerating: fields left fallow had time to restore natural ground cover, which then put nutrients back into Nigeria's generally poor and infertile tropical soil.

Today, however, pressures on the land are making the system unworkable. Since 1963 Nigeria's populatioo bas grown from an estimated 46m to approximately 100m today. Such oumbers mean that farmers can no longer afford to let land sit idle, and the same fields are now cultivated year in, year out. Maize, wheat, rice, and groundnuts have now been added to more traditional crops. The result of such intensive cultivation is that the land is losing its fertility and becoming eroded at an alarming rate. Nigerian agriculture's greatest challenge, then, is to devise new systems of cultivation that take rising population into account.

The problem is compounded by long-term climatic trends. Recently released figures from the grain-producing oorth show that over the last 50 years average rainfall has dropped from 600mm to 400mm a year, an amount insufficient for oormal crop production. Because of irregular rains last year's staple food production was significantly lower than the previous two years – millet productioo, for example, crashed from 3m tonnes in 1986 to 2m tonnes in 1987. The FAO estimates that last year overall crop production in Nigeria was down by 20 per cent.

This year severe drought conditions in the north have set alarm bells ringing. Considerable numbers of peasants in Sokoto and Borno states are selling their livestock and moving south. A federal task force on drought has been set up, and an Emergency Relief Agency in Borno has begun distributing grain to hungry peasants.

Naira devaluation, the grain ban and poor harvests have had an effect on producers and consumers alike. Consumer prices have risen sharply in both urban and rural areas. Yam and cassava in the south are up by 25 to 30 per cent. A loaf of bread that a year ago cost N1.20 now costs N4. In early 1987 a tonne of maize cost N525 – now it costs N1,350.

While much of this is due to climatic conditions, the Government's lack of a comprehensive agricultural policy has also played its part. Producers of cocoa and rubber are cashing in on a mini commodities boom occasioned by the devaluation of the naira. Staples farmers, on the other hand, without government initiatives on market stabilisation, are unsure of how to proceed in the newly deregulated and liberalised economy.

Many have preferred to stick unproductively to old multi-cropping subsistence techniques rather than take a risk on a single cash crop. Others have gone for the money, concentrating on whatever crop currently has the highest market value. The result has been wild fluctuations in price and constantly changing imbalances in the agricultural sector.

In the small Sokoto village of Gidan Kaura, for example, farmers who had previously been growing rice noticed last year that onion prices had suddenly shot up. They promptly switched over their entire production to onions. But so many other farmers in the region had also been lured to onions that by the end of the season the bottom had fallen out of the market. The villagers are now talking about getting out of food production altogether and moving to high-profit cotton.

The erratic shifts of Gidan Kaura's farmers alone will not affect the agricultural economy, but the problem is that there are thousands of Gidan Kauras all over the country. While the Government is not unaware of the need for a coherent pricing policy and the building up of strategic food reserves to avoid market instability, adequate steps to cope with this critical problem have not yet been taken.

There are some bright spots on Nigeria's agricultural map, however. New techniques being evolved by the Ibsdan-based International Institute of Tropical Agriculture may offer answers to pressing problems. New varieties of drought-resistant seeds are being developed and the technique of alley cropping is being perfected.

Alley-cropping, a nutrient restoration technique that mimics bush fallow while allowing intensive cultivation, involves interspersing high-yield crops between rows of nitrogen-fixing leguminous plants. The resulting preservation of soil fertility is highly eocouraging, and may prove a major breakthrough for Nigerian agriculture.

While Nigeria'a 20 flour mills are almost idle, there are encouraging signs of oew growth in small-scale processing. With industrial-sized, state-run agro-plants now being phased out, there is a move towards family-sized, private operations in such activities as oil pressing, grain milling and rice polishing. Far more appropriate to the developmeot of rural economies, such entrepreneurial ventures are inexpensive, provide employment in the villages, and use simple technology.

Agricultural specialists would like to see the same kind of development in crop production. They believe the future lies oeither in under-sized farms where only fractional surpluses are possible, nor in large-scale agro-operations requiring huge capital investments. Unless medium-scale, family farming using appropriate technology develops, they say, Nigerian agriculture is in trouble. Many young Nigerians are now moving back to the land from the cities, and free market incentives are there for them. It is now a question of adapting to the appropriate scale of farming.

A simple irrigation system on a small farm in Bendel State.

Case study: an agricultural development project in the wilds of Sokoto State

Making progress in remote northern areas

"LACK of rural infrastructure" is a phrase so often used in World Bank development literature that for many it has ceased to be much more than tired jargon. But when burly Scots engineer John Laing crosses the River Niger to undertake Bank-funded projects in the wilds of Sokoto state, the phrase takes on significance.

There is no bridge across the Niger in Sokoto. Standing on the high, crumbling banks of the river, Mr Laing is trying to ease his dust-covered Peugeot onto a floating platform that will be propelled across the river by two 40-foot outrigger canoes. Three times the primitive ferry loses its purchase on the bank and is swept downstream by the swirling current. On the fourth attempt a cry of triumph breaks out from the Fulani cowherds who have emerged from the bush to assist the tricky operation – the car is finally on and the loaded ferry begins slowly to pick its way through submerged sand bars to the far side of the river.

"Out here," says Mr Laing, gently poking fun at the distant world of high finance, "this is what we mean by getting around liquidity problems with bank-to-bank transfers."

Mr Laing's pragmatic, sleeves-up approach to the problems of rural development is proving to be a vital prerequisite to increasing agricultural production in Nigeria. Chief engineer of the Sokoto Agricultural and Rural Development Authority (Sarda), Mr Laing is charged with developing rural infrastructure to the point where Sokoto farmers can actually begin to realise their considerable potential. The simple fact of being unable to cross the Niger conveniently is only one case in point: increased yields and more land under cultivation are meaningless if farmers cannot get their produce over the river to market.

Neglected through the years of Nigeria's oil boom, the arid and isolated northern state of Sokoto is one of the most under-developed in the country. While various administrations in the past have made attempts to help the population progress from subsistence to small-scale commercial farming, much of Sokoto today has seen little or no development in what farmers need most: physical access to land and markets, and water sources for crops. Consequently, Sarda has made the provision of these basic rural infrastructures its top priority.

As a member of Opec and a relatively wealthy nation with a per capita GNP of $730, Nigeria is ineligible for assistance by most international development agencies. The World Bank, however, has advanced more development credit to Nigeria than to any other black African state – $1.5bn to date – and regards agricultural development as the essential component in the creation of a balanced Nigerian economy.

There are agricultural development programmes (ADPs) in every state in the country, and the Bank is active in many of them. Since 1975 more than 60 per cent of its total sectoral loans of $2.3 bn to Nigeria have gone to agricultural development. While many states, particularly the northern states of Borno, Kano, Katsina and Bauchi share similar problems of rural infrastructure, Sokoto – one of the biggest and most under-developed states in Nigeria – has received the largest single World Bank loan for agriculture, totalling $147m.

> The arid and isolated state of Sokoto, neglected through the years of Nigeria's oil boom, is one of the most under-developed in the country. Many of the areas have never been farmed before.

Co-funded by the Bank, Sokoto state, and the federal government for the period 1982 to 1989, Sarda's programme budget totals $498m. While the federal government has released only a small fraction of its pledged share, resulting in a Sarda demand for overdraft facilities, the World Bank has so far disbursed $91m.

Approximately half of this sum is earmarked for Sarda's engineering section. In keeping with its infrastructure development priorities, Sarda has to date constructed 1,800 km of rural "feeder" roads. Some of these roads will allow exploitation of Sokoto's *fadama* or wetland river basin areas, while others will open up large parts of remote western Sokoto never farmed before.

There is something of a frontier-days excitement among local, World Bank and expatriate staff members at Sarda headquarters in Sokoto. The challenges are demanding but the results are immediate and visible. On the previously inaccessible western side of the Niger River, for example, scores of new settlements have sprung up along the roadside in a matter of months. Moving in from drier, and in the past year drought-stricken, areas to the north, farmers have taken advantage of newly-accessible land and links to markets: they are planting not only traditional millet and sorghum crops, but also commodities such as cotton. While it will take time for a genuine market economy to develop, a vital element is now in place.

Another Sarda activity that is changing rural life is its water supply programme. To date Sarda has installed boreholes and hand pumps in over 1,400 Sokoto villages free of charge, providing them for the first time with clean drinking water for domestic and livestock use. Up to 90 metres deep, the boreholes are expensive – approximately $17,000 per unit – and have cost Sarda a total of $50m. So enthusiastically has the programme been received in the villages, however, that the World Bank has agreed to finance a second water supply phase costing $19m. Sarda has also constructed over 20 earth dams for livestock watering use.

One of the most exciting and potentially rewarding Sarda activities is its *fadama* land irrigation project. In the past farmers had practised small-scale rainy season cultivation in Sokoto's river basins, where rivers annually over-flowing their banks have left rich alluvial deposits. The damming of these rivers for large-scale irrigation projects has put an end to this process, but because funds ran out before the completion of down-stream projects they have not replaced it. While the water table in over 300,000 hectares of *fadama* land is still high, without irrigation it cannot be exploited.

With World Bank backing, Sarda is now launched on a programme to provide new *fadama* farmers with shallow tube wells and pumps on a commercial basis. The N1,450 cost of each unit is relatively high, and bank credit remains a major problem. But with each unit irrigating one hectare throughout the year and capable of producing 10 tons of wheat, rice and vegetables annually, potential returns are enormous.

Sarda sank 1,500 tube wells in *fadama* lands in 1987, will sink a further 1,800 this year and is encouraging village co-operative schemes to counter commercial credit problems. Sarda's established network of seed, input and farm service centres, as well as its extension and training programmes, will be put at the disposal of new *fadama* farmers.

Sarda's challenges are considerable. Money for equipment and technical expertise is in short supply, workable systems for agricultural credit have yet to be devised, and the North is threatened with a major drought. But there has undeniably been progress, and if Sarda continues at its present pace Sokoto's rural infrastructure will develop. As John Laing admits, perhaps even a little sadly, "one day soon there will be a bridge over the Niger not far from my outrigger ferry crossing. For the moment, however, we're still battling the current, and pulling slowly ahead."

Nicholas Woodsworth

New plans to protect Nigeria's endangered rain forests

A daunting challenge for the conservationists

AS YOU emerge from the quiet heart of the rain forest you hear the monster roaring before you see it. A large yellow bulldozer is knocking down trees like nine-pins to make a road for the logging company. Torn leaves rain from the sky long after each tree has crashed to the ground.

It is happening in Africa as well as in the Amazon. In Eastern Nigeria's Cross River State, next to the Cameroun border, a few pockets of inaccessible primary forest have survived the ravages of timber merchants and farmers. Here, too, it takes only five minutes with a power saw to bring down a 100-year-old forest giant.

Two events in particular have recently drawn conservationists' attention to this unique part of Nigeria. One was the setting up of the Korup National Park next door in Cameroun, and the other was the discovery of Africa's most westerly population of low-land gorillas in Nigeria's Kanyang mountains.

Discovery is perhaps the wrong word. Local hunters – the barrels of their home-made shotguns ingeniously made from the steering columns of Land Rovers – have known about and even killed the gorillas for years. In an area without cattle almost every kind of bushmeat, including monkeys, vultures and small antelopes, is fair game for the steaming dinner pot of pepper sauce and plantains.

Mr Ibrahim Inahoro, of the Nigerian Conservation Foundation (NCF), saw the gorillas in August last year and joined a subsequent, more publicised expedition by gorilla experts Mr Sandy Harcourt and his wife Kelly Stewart of Cambridge University. Gorillas were last officially recorded in the area in 1931. Now it is thought there may be 150 of them in Nigeria.

"It was very black," said Mr Inahoro of his first sighting. "I thought it was a log of wood because it was lying down on a branch with its back to me ... It stood up, held the branch and shouted – Whooow – the sound was so high and terrifying it shook me."

Most of the rainforest still standing in Nigeria owes its existence to rivers and mountains which make it difficult to approach. Elsewhere, nearer the state capital Calabar, farmers are burning the remaining bush to add nutrients to the fragile sandy soil for their cassava crop. The skeletons of a few dead forest trees stand silhouetted against the sky.

The logging companies have moved in first, restrained more by mechanical breakdowns than by official controls. As in South America, the ecosystem they disturb is rich but delicate, teeming with unrecorded insects, rare primates, unusual fish and plants with unknown applications. There are parrots, hornbills and scarlet butterflies. "This," said our guide, pointing at the cut-open, bright yellow bark of a tree, "is good for fever." And it tasted as bitter as quinine.

Just across the border is Korup, where conservationists are trying to combine their work with rural development for the benefit of the people as well as the animals. The idea is to promote wealth-creating tourism and create a buffer zone to protect the core reserve.

Mr Francis Sullivan, of the World Wildlife Fund, fresh from visiting Korup, has come to eastern Nigeria to look at the possibility of protecting the forest on this side of the frontier as well, for the benefit of Korup and Nigeria.

"From preliminary studies it appears that Korup is the most biologically diverse rainforest in Africa," he says, "with more than 450 species of trees, hundreds of species of birds, 52 mammal species and 19 primates. It's a conservationist's dream, a jewel."

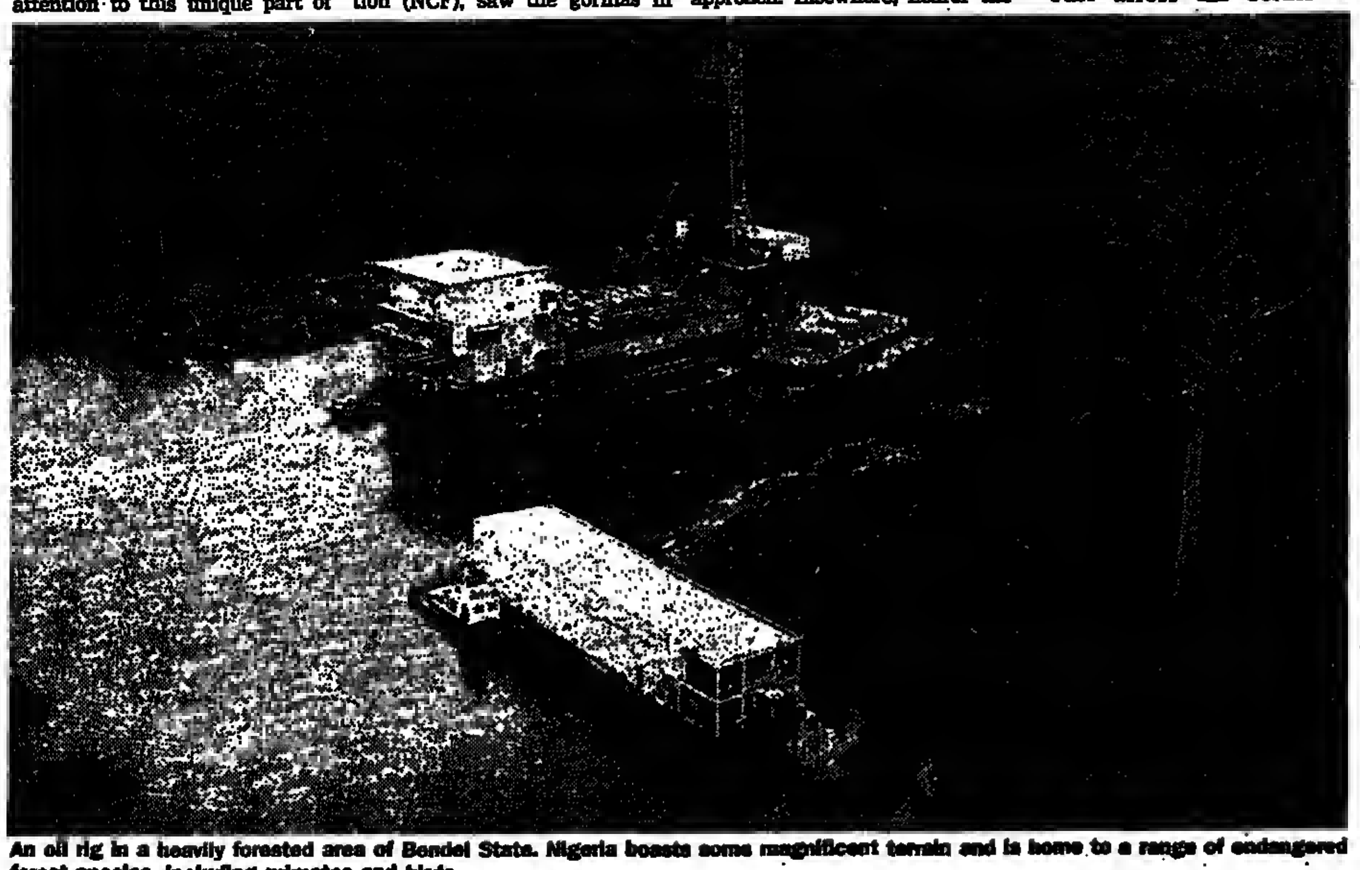
The challenges for conservation in Nigeria, with its ever-increasing population of more than 100m, are daunting. It remains to be seen whether the suggestion to promote gorilla tourism can save them for posterity.

Since the NCF was founded in 1982 it has, with the support of enlightened businessmen, done its best to convince the world that Nigeria is not a lost cause. The country boasts some magnificent terrain and is home to a range of endangered species, including primates and birds such as the grey-headed rock-fowl. The NCF has drawn up management plans for important reserves and is trying to promote conservation in schools.

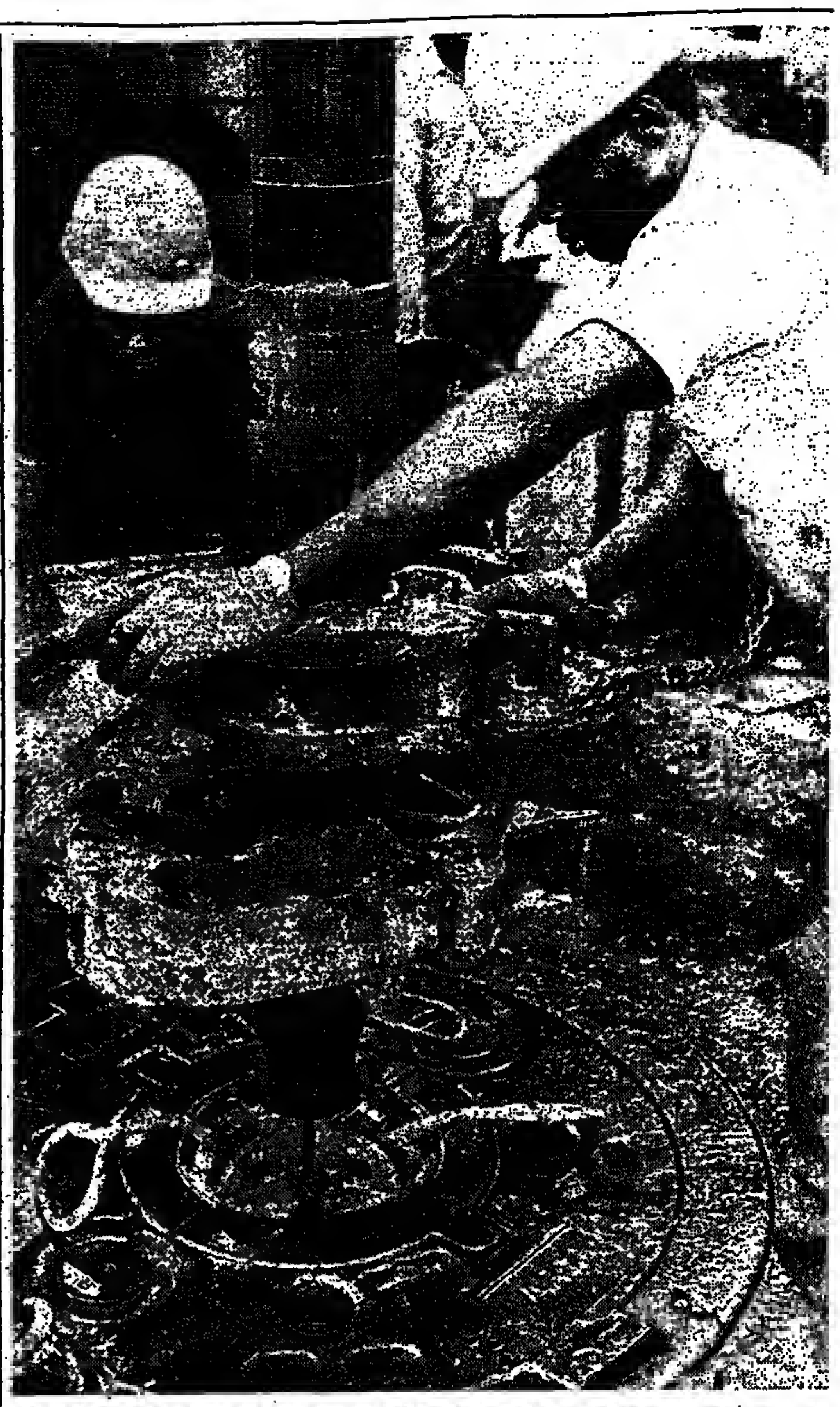
In association with the International Council for Bird Preservation, the NCF has launched a British appeal to raise £270,000, and a special exhibition of Nigerian wildlife paintings by Spencer Hodge is to go on show at the Commonwealth Institute in London from March 24 to April 3.

Contacts: Mr Paul Goriup, NCF Appeal Secretary, 122 Derwent Road, Thatcham, Berkshire, RG13 4UP, England, Tel: 0635-60478. Or: Mr Philip Hall, NCF, Mainland Hotel, PO Box 467, Ebute-Metta, Lagos, Nigeria. Tel: Lagos 862260.

Victor Mallet



An oil rig in a heavily forested area of Bendel State. Nigeria boasts some magnificent terrain and is home to a range of endangered forest species, including primates and birds.



Nigerian engineers drill for oil from a rig off Port Harcourt. Most of Nigeria's natural gas is a by-product of the oil industry — only a small proportion of the gas is used for commercial purposes at present.

Development of natural gas resources

The momentum increases

PLANS TO develop Nigeria's substantial natural gas resources are slowly gathering momentum after years of hesitation and delay.

Although the Government has yet to announce a detailed policy on the exploitation and domestic pricing of gas, it has pressed ahead in the past year with two major gas projects – the proposed liquefied natural gas (LNG) plant for export, and the pipeline from Escravos to supply Lagos.

LNG development, albeit on a more modest scale than originally planned, is a Government priority. Money from the export of some 20,000 barrels of crude oil per day is being set aside in a dedicated account to pay for the state's equity share in the LNG project. The account is already thought to hold as much as US$200m.

In the course of this year the four participants hope to form a project company. The Nigerian National Petroleum Corporation (NNPC) will have a 60 per cent stake, Shell (the technical leader) 20 per cent, and Elf and Agip 10 per cent each. Gas will be supplied by the NNPC/Shell, NNPC/Elf and NNPC/Agip joint ventures. By the mid-1990s Nigeria expects to start exporting LNG to Europe.

Before that happens, the interlocking problems of financing the project and securing the customers must be resolved. Clients and lenders are reluctant to commit themselves without assurances from the other side.

The LNG plant on the Bonny River, with two production trains using the Technip/Snamprogetti process, is to be one-third the size of the original proposal, although there will be room for subsequent expansion to five trains. Output from the two trains will reach about 4m tonnes of LNG a year, or some 3 per cent of the European market.

Nigeria hopes to squeeze into Europe without too much difficulty and so pave the way for expanding its output in the 21st century.

Estimates by those involved of the project cost are extraordinarily varied, ranging from as low as US$2bn to more than US$5bn. Efforts are certainly being made to keep costs as low as possible. Rather than building new ships, the participants are planning to use five existing vessels for transporting the LNG, and options have already been taken out on two.

At the same time, studies of a similar LNG plant in Australia have suggested further ways of reducing project costs without impairing safety.

Petroleum Minister Alhaji Rilwanu Lukman, who is also president of the Organisation of Petroleum Exporting Countries (Opec).

The equity element of the project cost is likely to be about 40 per cent, with the loan portion, including export credit, foreign commercial bank loans and Nigerian loans accounting for the rest.

Talks with the targeted customers – the major European gas companies – are continuing. A high-level meeting was held in Britain in October last year, and another is expected in the middle of 1988. West Germany and Spain have shown particular interest.

When Nigerian oil begins to run out in the next 40 years, gas is likely to ensure the country's long-term prosperity. Proven gas reserves total about 2.5 trillion (million million) cubic metres, and actual reserves are probably many times greater. About half Nigeria's proven gas is associated with oil production, and three-quarters of that associated gas is currently being flared and wasted.

It is a subject which has preoccupied successive Nigerian administrations and one of the country's most important donors, the World Bank, which last year approved a US$25m loan for gas technical assistance.

Gas utilisation is slowly being increased. Nigeria's US$750m gas-fed fertiliser plant at Onne has come on stream. Work is proceeding apace on the pipeline from Escravos to supply the 1,320 megawatt Igbin power station in Lagos. At present, Igbin operates at a fraction of capacity on expensive fuel oil because the pipeline was not built in time. The pipeline and associated gas-gathering systems will cost about US$500m.

The second, gas-fed, phase of the country's petrochemicals programme is also expected to get off the ground in the next few years.

Mr Rilwanu Lukman, Nigeria's Petroleum Resources Minister, has admitted that the Government was slow to implement a gas policy, but he has announced some general guidelines.

The Government's aim is to expand the domestic market for gas by fixing the local price low enough to encourage consumption, but high enough to pay for investment in the development of gas production and distribution.

In theory, the promotion of gas will free more oil for export as well as providing raw material for other export industries and cheap fuel for electricity.

Victor Mallet

Oil exports still account for more than 90 per cent of Nigeria's foreign exchange earnings, as **Victor Mallet** reports here.

Crude oil remains the lifeblood of the economy

DESPITE ALL Nigeria's talk of promoting non-oil exports, and all its efforts to add value to its oil production by building refineries and petrochemical plants, crude oil itself remains the lifeblood of black Africa's largest economy.

Nigerian oil exports have fallen in value to about US$6.7bn in 1987 from a peak of nearly $25bn in 1980, but oil still accounts for more than 90 per cent of foreign exchange earnings, about 20 per cent of gross domestic product and three-quarters of federal government revenue.

Ambitious plans for vast petrochemicals projects and large-scale production of liquefied natural gas (LNG) have fallen by the wayside since the end of the oil boom. Even today's more modest attempts to develop Nigeria's substantial gas reserves and promote downstream exploitation of crude oil are threatened by a shortage of funds and the wariness of creditors.

As Nigeria and other members of the Organisation of Petroleum Exporting Countries (Opec) try to weather a period of price uncertainty, the authorities in Lagos face a series of difficult decisions on the allocation of project funds.

The leading competitor for resources appears to be LNG, the only project still to benefit from a dedicated account into which the Government says it is regularly depositing oil proceeds. The plan to export LNG to Europe by 1995 will cost between $2bn and $5bn.

Phase II of petrochemicals would cost about $700m. Development of a major offshore 100,000 barrels per day condensate field next to Akwa Ibom state by the 60:40 joint venture of the Nigerian National Petroleum Corporation (NNPC) and Mobil would cost another $1bn. Condensate, a lighter mix of hydrocarbons than regular crude oil, is particularly attractive because it is not restricted by Opec quotas.

Nigeria's incomplete plans to follow other Opec producers downstream and buy refining capacity in countries such as Ireland and Canada – at the same time as increasing the number of its own refineries – are also likely to cost hundreds of millions of dollars. Resources have already been committed to a new fourth refinery, a new gas-fed fertiliser plant and the long-delayed construction of a gas pipeline from Escravos to Lagos.

It remains to be seen if Nigeria can juggle its project priorities satisfactorily while pursuing the aim of increasing proven crude oil reserves and production capacity to give the country more leverage in Opec quota negotiations.

In the early part of 1988, with spot prices below Opec's official prices, Nigeria has been having enough problems just selling its oil. Production is estimated to have dipped in January to about 1.1m b/d, compared with the official quota of 1.301m, putting a further strain on the exchequer.

Mr Rilwanu Lukman, the Nigerian Oil Minister, is president of Opec and has made a point of saying that Nigeria will respect its quota and official Opec prices, which in the case of the Nigerian marker crude Bonny Light is $18.92. Some of his compatriots, already concerned by his frequent absences from home on Opec business, accuse Mr Lukman of ignoring Nigerian national interests to the benefit of Opec and the Gulf states.

Yet most oil industry executives, although confident about Nigeria's respect for the quota, do not believe that it sticks to the official prices anyway. "Any time when you pick up a newspaper and the spot market is two dollars less than the official price you can guess they're not selling at the official price," said one.

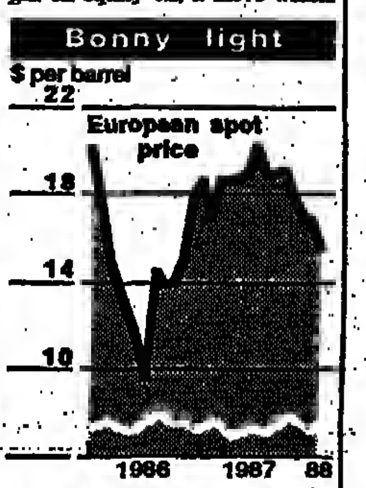
Nigeria is thought to have entered into several short-term deals with refiners to bolster sales of its crude. Such deals can appear to be at the official price, but producers may sell at a nominal official price while allowing the refiner to claw back the difference from the spot price with a "processing fee."

NNPC has also been offloading a small percentage of its crude at around spot prices to pay operators in kind for its share of costs in joint ventures. NNPC has 80 per cent of the largest joint venture with Shell, and 60 per cent of the others.

In some ways the oil companies are delighted by the payments in crude oil. It means that NNPC is up to date or even ahead on its cash call commitments, instead of in arrears, although the companies can find the spasmodic nature and small volumes of the crude involved difficult to digest into their refining networks.

For NNPC payment in kind means being able to bypass the tight pursestrings of the Treasury. The Finance Ministry is said to be concerned, but as one oil executive noted, the money would not have existed without the arrangement since the oil – in a weak world market – would have stayed in the ground.

Relations between the Government and the oil companies went through a difficult patch between February and June last year, when Nigeria decided to make the companies bear some of the pain of the market weakness. It began to chip away at the two dollar a barrel guaranteed margin on equity oil, a move which was regarded by some as a unilateral suspension of the 1986 Memorandum of Understanding (MOU).

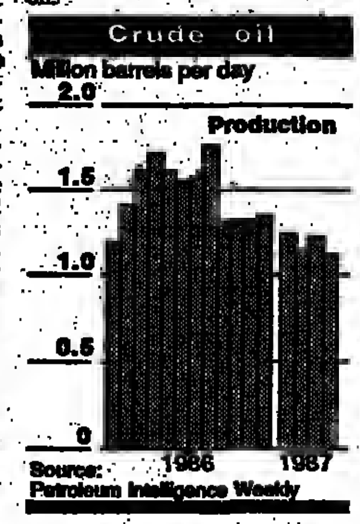


In terms of that agreement the companies agreed to press ahead with exploration and development in return for the margin. This incentive was based on a "netback" formula which adjusted the Government's take in taxes and royalties according to realised prices. Oil companies were temporarily gaining in early 1987 because netback prices were trailing spot prices. A new arrangement was finally agreed in July, whereby the basis of the realised price was revised to include both netback and spot prices. Accounts for the months of uncertainty are still in question.

It was apparently with the promotion of the MOU in mind that Shell recently went out of its way to publicise two oil discoveries in Bendel state. Exploration and development, however, remains a contentious issue. Nigeria wants to increase its proven reserves from around 17bn barrels (about 35 years' supply at present rates) to 22bn, and to raise production capacity to 2.5m b/d from the current 1.8m. But the oil companies doubt the Government's commitment to provide its share of the funds and question the need to spend money on reaching a capacity so far above the present Opec quota.

The proposed division of NNPC into separate units, which would run on commercial principles and raise their own funds, has been delayed, at least partly by the delicate political problem of domestic prices. Nigerian oil exports continue to be constrained by high domestic consumption and smuggling, and by past failures to promote the use of abundant natural gas.

Until the distant day when it is hoped that gas, cocoa and other exports will play more than a token role in Nigeria's development, the country's future is inextricably linked to the price of oil.

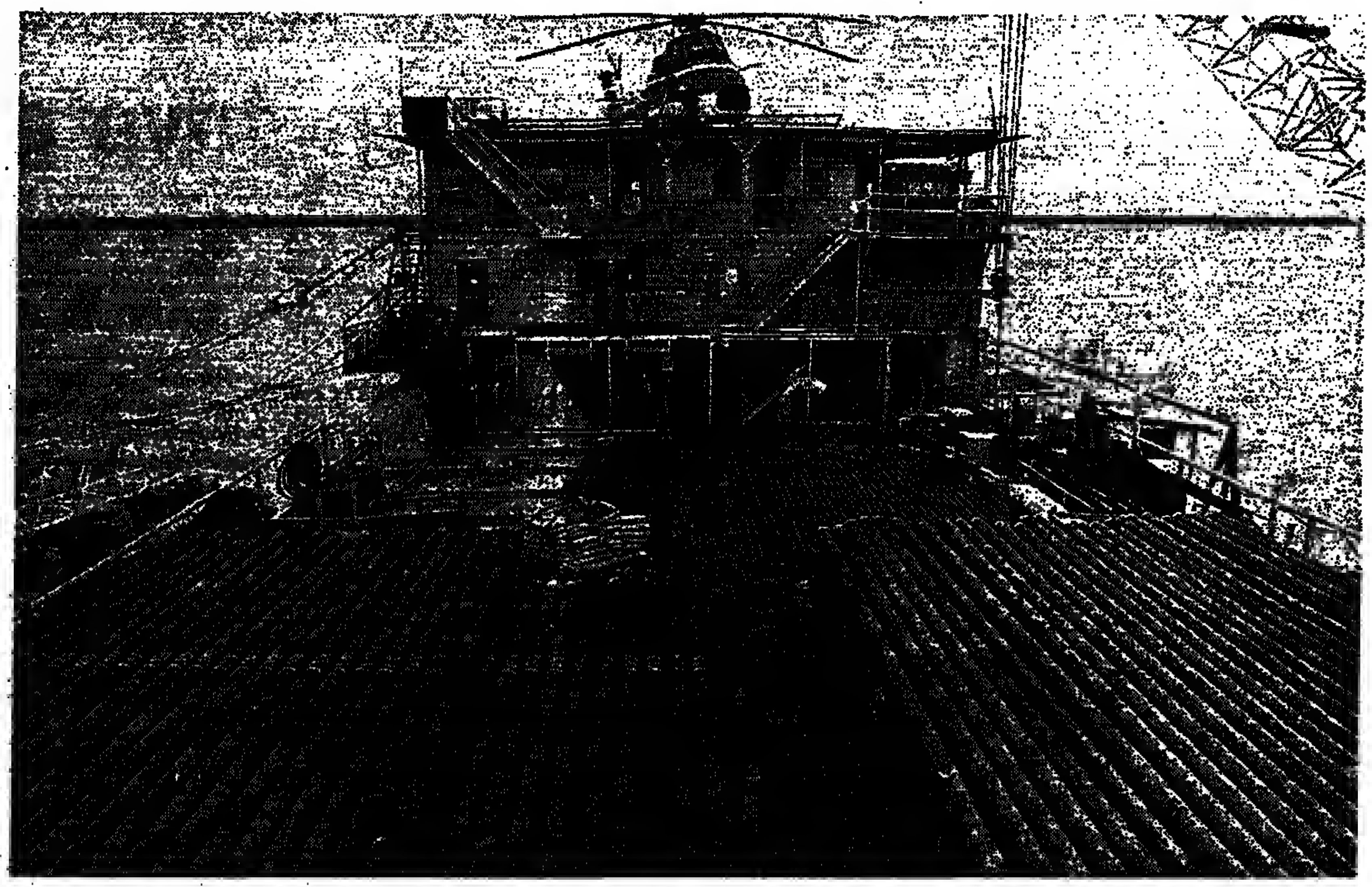


Source: Petroleum Intelligence Weekly

OIL RESOURCES COMPARED
Recoverable conventional oil resources (bn bbl)

	Proved reserves	Inferred reserves	Undiscovered resources
Saudi Arabia	169.2	3.4	36.0
USSR	59.0	22.0	77.0
US	27.3	20.1	37.0
Kuwait	79.2	15.0	3.0
Iran	48.8	11.3	19.0
Iraq	47.1	3.6	35
Venezuela & Trinidad	25.6	14.1	15.0
China	18.4	5.2	35.0
Mexico	28.5	3.5	26.0
United Arab Emirates	33.0	12.7	5.0
Libya	21.3	4.5	6.0
Canada	6.0	0.8	27.3
Nigeria	16.0	3.2	7.0
Norway	10.5	0.2	17.0
Indonesia	8.3	0.5	7.9

Source: Oil and Gas Journal, January 18 1988



Nigeria's future is inextricably linked with the price of oil. Above: rows of drilling pipes on the deck of a Shell Nigeria semi-submersible drilling rig.

As new petrochemical plants at Kaduna and Ekpan come on stream...

Import substitution drive gets under way

The raw material for Nigeria's new petrochemicals industry: well-head maintenance work being carried out at the Shell Belle Isle rig in the Biniwei Field, Bendel State.

A LARGE sample bottle of clear liquid and a package of plastic granules sit unobtrusively on the floor in one of the Lagos offices of the Nigerian National Petroleum Corporation (NNPC). At last, after many deleys and recriminations, the country is producing its own petrochemicals – in this case benzene and polypropylene.

Nigeria's bumpy petrochemicals journey, which began with the ambitious multi-billion dollar plans of the 1970s and led to today's more modest attempts at downstream use of oil and gas, still has a very long way to go.

The plants at Kaduna and at Ekpan near Warri, both now coming ou stream using feedstock from nearby refineries, make up the first, small-scale phase of Nigeria's petrochemicals strategy.

Kaduna's main product is to be 30,000 tonnes a year of linear alkyl benzene (LAB), which is used for biodegradable detergents. Ekpan will produce 18,000 tonnes a year of carbon black, e raw material used in the manufacture of tyres and carbon paper, and some 35,000 tonnes of polypropylene for such items as woven sacks, plastic bottle crates, syringes and prayer mats.

Phase I is largely an exercise in import substitution, although NNPC hopes to export the surpluses of certain products and by-products. Carbon black ontput is in the early days expected to be nearly double Nigerian domestic demand, and NNPC wants tyre-makers such as Michelin to export it for their own use elsewhere.

Petrochemicals are one of Nigeria's most significant raw material imports, and the 450 or so plastics manufacturers in the country are euthusiastic about the long-term possibilities of local production. For many companies the uncertainties and difficulties of obtaining foreign exchange for petrochemical inputs could be a thing of the past.

"It would have made more sense to us if the project had come on stream earlier than now," says Mr Mac Asemota, executive secretary of the Association of Plastics Manufacturers in Nigeria. "Nigerian society and the world in general is getting plasticised. Demand for plastic products increases on e daily basis."

NNPC is going to have work hard to regain the respect of the Nigerian business community. Petrochemical consumers appear to have few fears about the quality of NNPC products, but they are concerned about pricing and reliability of supply. NNPC officials admit that if the LAB plant sells the product at the present landed price of imports it will barely break even, although they say carbon black should be profitable.

For many companies, the uncertainties and difficulties of obtaining foreign exchange for petrochemical inputs could be a thing of the past

As for reliability, the refineries which supply the feedstock for the Phase I plants have suffered prolonged shutdowns in the past, even if they have been running relatively smoothly in the early part of this year. Uncertain electricity supplies are another headache for all industries.

Already some plastics manufacturers complain that they are scrambling for last-minute imports because of unexpected delays in the commissioning of the polypropylene plant. To make matters worse for NNPC, the project manager of the LAB plant spoke of critical problems of staffing at the end of January. "We still do not have the minimum staff required for effective plant operation," he said.

Meanwhile the Government is expected to take a final decision soon to go ahead with the larger second phase of petrochemicals development. The proposed complex favoured by NNPC and the World Bank for the site at Eleme near Port Harcourt would use Nigerian natural gas as its main feedstock, would initially cost about US$700m, and would produce a range of products including 250,000 tonnes a year of polyethylene and 80,000 tonnes of polypropylene.

Some infrastructure work has already started and production could begin as early as 1992. NNPC has reached agreement with Du Pont for technology, training and marketing for the polyethylene plant.

"Everything now is favourable," says Dr Thomas John, head of NNPC's petrochemicals division. "Plant costs are about 75 per cent of what they used to be five to 10 years ago. Because of the edverse economic situation in the world people are not building new plants. All these companies are hungry and they are prepared to quote as low as possible. So we're taking advantage of the low investment cost and we want to take advantage of the high product prices."

The present plan is the base case recommended by the Stanford Research Institute in e report for NNPC. It predicted good rates of return on the project and growing Nigerian domestic demand for the products. The complex would expect to export about half its production at the start in 1992, with exports progressively falling to virtually nothing at the turn of the century as local demand rises.

A second, cheaper option which would minimise risk is not favoured by the NNPC.

Although Nigeria seems eager to press ahead, financing is not likely to be easy. Several other projects, including a planned liquefied natural gas plant, are vying for NNPC resources. Foreign lenders are cautious about Nigeria's prospects and keen to see the results of Phase I before committing themselves.

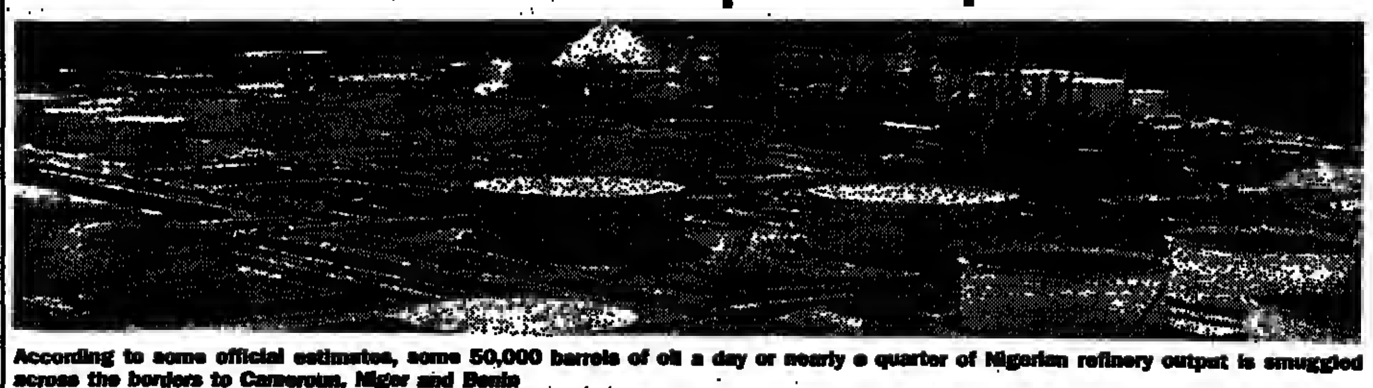
Traditionally the World Bank has not regarded Nigerian oil and gas as a priority, and has preferred to leave the sector to foreign private capital while it concentrates its own resources on neglected agriculture. But now, with the private sector wary of Nigerian projects, the Bank believes it should support a strategically important investment which will make the most of Nigeria'e underused gas resources.

Victor Mallet

Petrol in Nigeria costs the equivalent of 9 US cents a litre. Prices in neighbouring countries are six to 10 times as high

Smuggling of cheap petroleum products into neighbouring countries is big business

The lure of quick profits



According to some official estimates, some 50,000 barrels of oil a day or nearly a quarter of Nigerian refinery output is smuggled across the borders to Cameroun, Niger and Benin

MARKET FORCES in Nigeria have a habit of asserting themselves over official economic policy and the law.

One result is the smuggling into the country of luxury goods, counterfeit watches and pharmaceuticals, banned imports such as rice and anything else demanded by the population. Another effect is the illegal export of millions of gallons of cheap Nigerian fuel to neighbouring states, and the illegal bunkering of ships.

The underground trade in Nigerian petrol, kerosene, diesel and fuel oil is big business. According to some official estimates the equivalent of 50,000 barrels of oil per day, or nearly a quarter of Nigerian refinery output, is now smuggled across the borders to Cameroun, Niger and Benin. Many oil industry executives, however, put the figure at a more conservative 20,000 b/d.

In some cases fuel tankers are simply driven over the borders. Small-scale operators – apparently unruffled by the severe sentences they risk if caught – load their pick-up vans and river boats with drums of refined products. Many petrol stations near Nigeria's frontiers have an exceptionally high turnover in relation to the size of their legal market.

The lure of quick profits from Nigeria's effective consumer subsidies on fuel is overwhelming. In February this year a litre of petrol was selling for 39.5 kobo in Nigeria, a mere nine US cents. Prices in neighbouring countries are six to 10 times as high and paid in convertible CFA francs. Differentials for kerosene are even more extreme, and prices for this product across the border are up to 20 times higher than in Nigeria.

Widespread smuggling, and problems at Nigerian refineries, have caused severe fuel shortages in the recent past.

An obvious solution is to increase domestic fuel prices, an unpopular step which the Government has hesitated to take for fear of its effect on transport costs. There were signs in February that prices could be raised within weeks to narrow the federal budget deficit, but they were expected to remain considerably lower than world levels. Smuggling is unlikely to be eliminated.

Fuel prices – with the exception of kerosene – were doubled in early 1986 to remove most of the effective subsidy applied at the time. But since then the Naira has fallen sharply against the dollar in the foreign exchange auctions, and fuel wholesalers have had their margins increased without any change in the pump price.

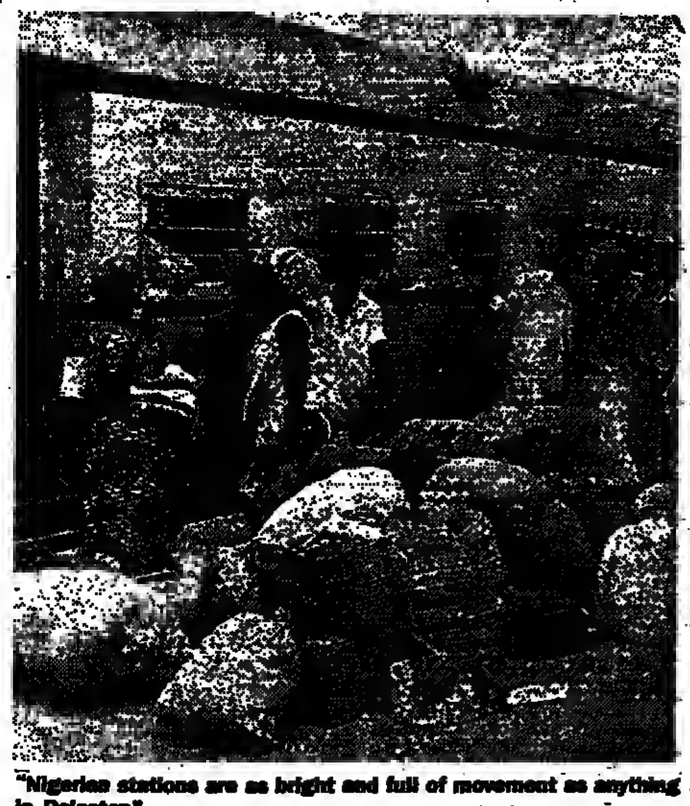
Taking into account the undesirability of subsidising one's neighbours through smuggling, and the reduction of oil exports caused by high domestic consumption, there is little doubt that Nigerian petrol is too cheap, even if one accepts the argument that the enormous "subsidy" is an illusion. There are those who argue that the Nigerian production cost, not the world price, should be the starting point for domestic price calculations.

The particularly large subsidy on kerosene, designed to help the poor who use it for cooking and lighting, has led to widespread adulteration of other fuels and consequent damage to vehicle engines. Kerosene is often mixed with diesel because it sells at a third of the price.

Nigeria is considering various methods to reduce smuggling and adulteration, including a plan to mark kerosene with a blue dye and another to paint officially approved export tankers and trucks in green and white, the national colours.

But effective control of smuggling is likely to depend on hefty price increases and the commissioning of Nigeria's fourth refinery, which should boost capacity to the point where the country will want to export large amounts of refined products legally.

Victor Mallet



"Nigerian stations are as bright and full of movement as anything in Rajasthan"

Nicholas Woodsworth on the difficulties, and joys, of Nigerian rail travel

All aboard the camel

EVERY AFTERNOON at 2.45, or thereabouts, a green diesel locomotive and 16 pink carriages pull up to the mainline platform at Kaduna station.

Emblazoned on a coat of arms on the side of every dusty carriage is the railway's emblem. It is not what one might expect — a springing antelope, say, or a charging steed — but a camel. It is not a camel steaming ahead like a ship of the desert, nor a camel flying over the sands like a harmattan wind. It is a camel standing motionless under a palm tree.

As I prepared to board the Lagos Express, the train that would take me 700 kilometres through the heartland of Nigeria, I thought the emblem's designer had rather meanly misrepresented the only romantic method of travel left on earth. Forty-eight hours later, gritty, sleepless and still not at my destination, I realised the artist was a more hopeless romantic than I — the poor beast under the tree should have been portrayed lying tethered and asleep.

Despite its slogan "Rail is reliable," the Nigerian Railways Corporation is not renowned for getting there on time, or even getting there at all. One of the most poorly organised institutions in the country, Nigerian Railways is best approached in a spirit of adventure and with an uncluttered schedule.

What it does guarantee the foreign visitor, however, is a view of the other Nigeria. Life seen from a railway carriage window is not the same as life seen from a hotel room on Victoria Island. It is not always an inspiring view, for it looks out onto a world that is poor, over-crowded, and generally fails to provide the amenities and services that make life comfortable. But provided the foreigner brings with him the same amount of sociability that local people travel with, it also gives him a chance to meet some very different and hospitable Nigerians.

Before being issued a ticket at Kaduna station, I had been asked the curious question, "Are you prepared to put up with the first-class conditions of our trains?" I began to understand when I saw my compartment. Generously designed, it had been fitted with drop-down beds, folding tables, a cupboard, a fan and no fewer than seven separate light fixtures. There was also a tiny bathroom with sink and toilet where a sign read "Gentlemen, please lift the seat" in English, Yoruba, Ibo and Hausa.

The toilet refused to work, however. The fan had been ripped out, only one light actually functioned, and there were chicken feathers and droppings in the cupboard. "First-class" is a relative term on Nigerian Railways. It does not imply any more comfort than you would find on an average camping trip, but it does mean you have the space to sit, breathe, and consider the fate of those outside your compartment door.

The most spectacular aspect of Nigerian rail travel is the overwhelming press of people. Passengers are everywhere, jammed into carriages built for a quarter the number. They spend long hours in impossible positions. They sit on each other's knees on the train's hard wooden benches, lie contorted in the aisles on mountains of baggage, crouch in the doorways and ride the plates between cars. Some even travel on top of the carriages.

In these conditions movement is virtually impossible without stepping on hands, or babies, or bloody sacks of bushmeat on its way to market. Getting on and off the train poses a major problem, and some travellers find it more convenient at station stops simply to climb through the nearest window.

Many travellers rate Indian railway stations as the liveliest and most colourful places anywhere, but Nigerian stations are as bright and full of movement as anything in Rajasthan. There are fierce-looking tribesmen just in from the bush, armed soldiers in uniform, wild-eyed holy men and beggars in rags. Most striking of all are the country women. Barefoot and bangled, they wear a thousand different styles of tressed hair; contrasted against their dark skin, the reds and yellows of the dyed prints they wear jump at the eyes.

Scores of vendors wander about the platforms shouting their wares. From them you can buy smoked antelope, chunks of bush-rat with fried plantain, or pounded yam to dip in a fiery sauce of chillies. Young girls will sell you a soft drink from the loaded buckets they carry on their heads, and for no extra charge snap off the caps with their teeth.

One item that was selling smartly in some stations was electric torches. At the time I could not see why, but too late I understood. After rumbling through the bush for half the night, the train abruptly ground to a halt in the middle of nowhere. Out went the lights as the generator failed, plunging into darkness and silence the dozen or so passengers who had spilled into the compartment from the corridor outside.

The locomotive had broken down and another had to be sent for from Jebba, 100 kilometres to the south. The compartment was hot and dark, and the mosquitoes voracious. Yet in the eight hours it took to get the train moving again, there were few complaints or bad tempers. Some people dozed, some sang and told stories. Others wandered out into the night to light fires, dance and make tea by the track.

The atmosphere was bank holiday, Nigeria style. Nigerians have a reputation for aggressiveness, but on the train they showed a degree of good humour and forbearance one would never see in the West. Actually getting to where we were going seemed the furthest thing from anyone's mind. Confronted daily by what seems the whims of institutions they cannot control, Nigerians have learned nonetheless to cope. In a Western context, offering the least resistance seems defeatist; here it is a survival technique that, while changing nothing, makes life bearable.

One middle-aged Nigerian with a few words smilingly absolved me of the need for any further reflection. "Do not worry," he said, "it is Nigeria," and then offered me a sip of warm Star beer.

By three o'clock the next afternoon — our scheduled time of arrival — we were on the move, but not yet even half-way to Lagos. Our average speed was 14 kilometres an hour.

Eighteen hours and one more mosquito-bitten night later we were still not in Lagos. The replacement locomotive had broken down, so the rumour went, because the engineer had been drinking and forgotten to take on water for the engine's cooling system. Tempers remained sweet, but I began to wonder just how much more I could take.

The third time the train broke down, not far from Ibadan, I abandoned it and took a 90-minute taxi ride to Lagos. When I left the compartment, my Nigerian friends were laughing and pulling out a pack of cards. I never found out how much later they reached Lagos, but they looked as if they were settling down to a long game.

Transport

Beginning to confront the mistakes of the past

THE PHRASE *kabu-kabu* has been on everyone's lips in Lagos since the local police commissioner suddenly ordered a crackdown on these unregistered taxis which roam the streets in their hundreds.

There were howls of protest from commuters, reflecting widespread discontent at the acute shortage of public transport and the precipitate declina of Nigeria's road and rail networks.

"The *kabu-kabu*," said a typical letter to the Daily Sketch, "has been a tremendous help to the masses, especially at this time of the nation's economic crunch, when even well-paid civil servants cannot afford a Beetle."

For the Government of President Ibrahim Babangida, transport has become an increasingly sensitive political issue. The Armed Forces Ruling Council has been reluctant to reduce the large subsidy on petrol and other fuels partly because of the impact it would have on travellers.

In recognition of the crisis the Government in January announced a special reflation package in the federal budget. Its major component was an allocation of Naira700m (about £90m) for transport.

"The Government," said President Babangida at the time, "is in particular deeply concerned about the state of the nation's transportation system, especially in the urban areas. The problem thus calls for speedy action by government and the private sector in order to alleviate the suffering of all workers and enhance their productivity."

A "task force on mass transportation" was quickly set up to co-ordinate the new initiative. Banks were expected to provide finance for the rehabilitation of old vehicles and the purchase of new ones. The emphasis was on buses, and the idea was to revitalise the local vehicle assembly industry rather than to import fully-built buses from abroad.

'If you don't have a vehicle in this society, you haven't made it'

Government officials were therefore taken aback by the news that the Anambra Motor Manufacturing Company was bringing in 300 complete buses from Brazil; although they acknowledge that the tariff system is in confusion and grants little protection to local bus manufacturing.

Tackling the issue of transport in Nigeria is a challenge which would deter the bravest politician. The railway system is neglected and run down, and like the national airline, is in severe financial difficulties. The road network, beneficiary of the oil boom years, is well developed by the standards of the continent but desperately in need of maintenance and repair. Buses are overcrowded and battered; driving standards may charitably be described as appalling and accidents are common.

"It's the oil boom syndrome," says Dr Kalu Idika Kalu, the Transport Minister. "It's poor management, it's poor maintenance. It makes sense to begin to correct the mistakes of the past."

There was a time when some Nigerians talked about the right of every citizen to own a car. Traffic growth was explosive in the 1970s. When Lagos became too chaotic the authorities decreed that only cars having number plates beginning with an odd number could drive in town on Mondays, Wednesdays and Fridays. Weekends were free, and the even numbers got Tuesdays and Thursdays. So people bought two cars. "If you don't have a vehicle in this society, you haven't made it," says one Nigerian.

Dr Kalu is concerned by the commuter problems of Lagos and believes that more buses, faster and bigger ferries for the water crossings, and perhaps an extension of the railway, would save workers from having to rise at 5am to reach work by 8am. But he is also preoccupied by the infrastructural needs of industry. "It's no good giving incentives to industry if they don't have water or power or transportation."

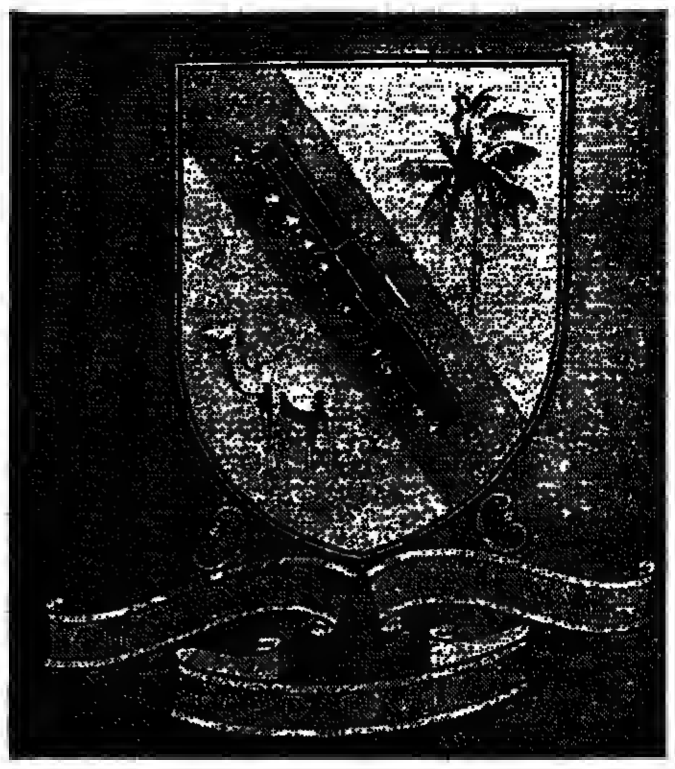
With the decline of the railways, about 95 per cent of Nigerian freight and passenger traffic moves by road, putting additional strain from heavy trucks on poorly maintained road surfaces.

The railway, meanwhile, is undermined by the fuel subsidies for road users and has suffered grievously since the departure of an Indian management team in 1982. Between then and 1986 rail freight dropped from more than 2m tonnes a year to less than 1m. The number of passengers also declined by 15 per cent in the same period to fewer than 10m a year, despite the motto, "More useful, in more ways, to more people." The subsidy for the Nigerian Railways Corporation rose to an estimated N450m in 1987 from about N200m in 1986.

So run down is the narrow-gauge railway system — about 80 per cent of the track needs repair and there are only about 50 locomotives in service compared with more than 100 two years ago — that some officials suggest it should eventually be replaced in its entirety with a standard gauge network. In the meantime work is likely to continue on maintaining the existing rail system, with the emphasis on freight.

For political reasons passengers remain the most immediate concern for the Government. "Passenger transport," says one Western diplomat in Lagos, "is one of the things the Government has decided it really wants to change in its time in power."

Victor Mallet



Nigerian Railway Corporation: best approached in a spirit of adventure and with an uncluttered schedule

The men in control

Armed Forces

Ruling Council

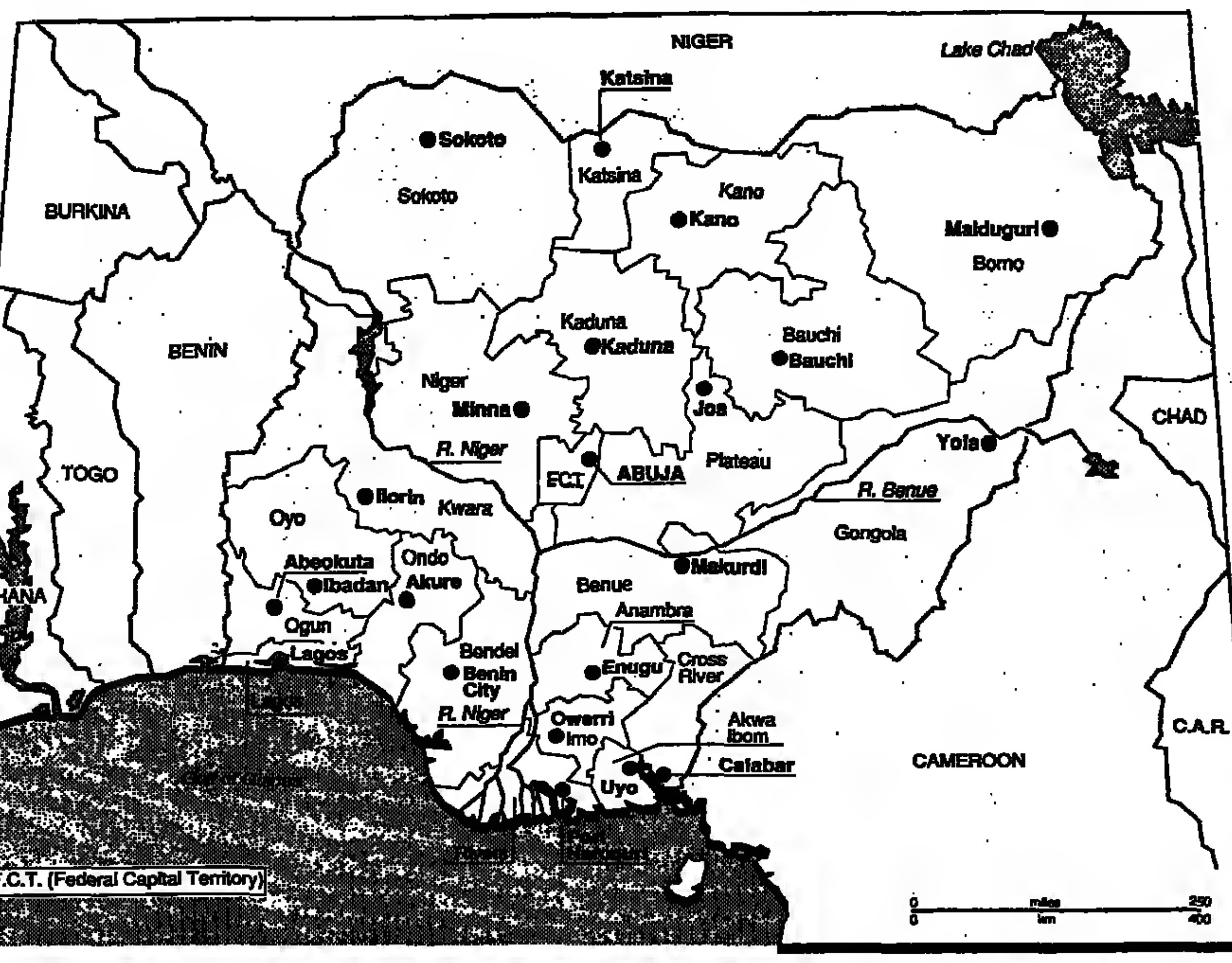
General Ibrahim Babangida – President and Commander-in-Chief of the Armed Forces
Vice-Admiral Augustus Aikhomu – Chief of General Staff
Lt Gen Domkat Bali – Minister of Defence
Lt Gen Sani Abacha – Chief of Army Staff
Vice-Admiral Patrick Koshoni – Chief of Naval Staff
Air Marshal Ibrahim Alfa – Chief of Air Staff
Alhaji Mohammadu Gambo – Inspector General of Police
Major General M.G.Nasko – Minister of Agriculture
Major General Paul Omo – Principal Joint Staff Officer
Air Vice-Marshal Mohammad Yahaya – Air Officer Commanding Training Command
Major General Peter Adomokai – GOC 1 Mech Division, Kaduna
Major General Duro Ajayi – Army Adjutant-General
Major General A B Mamman – Commandant, CSC Jaji
Brigadier Ola Oni – Commander, Training and Doctrine Command
Major General Garba Duba – GOC 3 Armoured Division Jos
Brigadier Oladipo Diya – Commandant, Nigerian Army School of Infantry
Brigadier J N Dogonyaro – GOC 2 Mech Division (Ibadan)
Commodore M A B Elabede – Director, DIA
Commodore Ndubuisi Kanu – Flag Officer Commanding Naval Training
Commodore Stephen Aipko – Flag Officer Commanding Eastern Naval Command
Rear Admiral Nyako – Flag Officer Commanding Western Naval Command
Air Vice-Marshal Nuraini Yusuf – Air Officer Commanding Tactical Air Command
Air Commodore L Koinyan – Director of Roads and Rural Infrastructure Directorate
Air Vice-Marshal N M Imman – Air Officer Commanding Logistics Command
Colonel J N Shagaya – Minister of Internal Affairs
Colonel Halilu Akilu – Director of Military Intelligence
Colonel A T Ayuba
Colonel David Mark – Minister for Communications
Major-General Y Y Kure – Director, Army Staff Duties & Plans
Major-General Sani Sani – GOC 82 Division (Enugu)

NATIONAL COUNCIL OF MINISTERS

Agriculture – Major-General Gado Nasko
Aviation – Air Vice-Marshal I A Okper
Communications – Colonel A T Ayuba
Defence – Major-General Domkat Bali
Education – Professor Jibril Aminu
Employment – Alhaji Abubakar Umar
External Affairs – Major-General I O Nwachukwu
Federal Capital Territory, Abuja Air Commodore – Hamza Abdullahi
Finance and Planning – Dr Chu Okongwu
Health – Professor Koye Ransome-Kuti
Information – Prince Tony Momoh
Internal Affairs – Colonel John Shagaya
Industry – Lt Gen A I Akinrinade
Justice – Prince Bola Ajibola
Mines, Power and Steel – Alhaji Buna Sheriff Musa
Petroleum Resources – Alhaji Rilwanu Lukman
Science – Professor Emmanuel Emovon
Youth, Sports and Social Development – Air Commodore Bayo Lawal
Trade – Alhaji Samaila Mamman
Transport – Dr Kalu Kalu
Works and Housing – Brigadier Kontagora
Special Duties – Air Vice-Marshal A I Shekarri

STATE MILITARY GOVERNORS

Anambra – Colonel Bob Akonobi
Akwa Ibom – Colonel Jonathan Ogbeha
Bauchi – Colonel Chris Garuba
Bendel – Colonel John Inienger
Benue – Colonel Idris Gaba
Borno – Lt Col Abdul Aminu
Cross River – *Commander I E Princewill*
Gongola – Group Captain David Jang
Imo – Lt Commander Amadi Ikwecha
Kaduna – Lt Col Abubakar Umar
Kano – Group Captain Mohammed Umaru
Katsina – Colonel Abdullahi Mukhtar
Kwara – Group Captain I Alkali
Lagos – Navy Captain Mike Akhigbe
Niger – Lt Col M L Gwadabe
Ondo – Navy Commander Bode George
Ogun – Colonel Raji Rasaki
Oyo – Colonel Tunji Olurin
Plateau – Colonel Lawrence Onoja
Rivers – Colonel Anthony Ukpo
Sokoto – Colonel Ahmed Daku



Two new states have been created in Nigeria in the past year – Katsina, in the north, and Akwa Ibom, in the south

BASIC FACTS ABOUT NIGERIA

☐ The nation's official title: Federal Republic of Nigeria.
☐ Head of State: President General Ibrahim Badamasi Babangida.
☐ Ruling body: The Armed Forces Ruling Council.
☐ Population: 95.7m in 1985 but estimated now at 105m and growing at about 3 per cent a year.
☐ Area: 923,768 sq km.
☐ Capital city and commercial centre: Lagos; (Abuja is being built as the new federal capital).
☐ Languages: English is the official language; (Hausa, Yoruba, Igbo and other languages are spoken).
☐ Currency: Naira (N) = 100 kobo.
☐ Exchange rate: US$ equals N4.29; £1 equals N.7.51.
☐ Inflation: 12% (1987 estimate).
☐ GDP real growth: zero per cent (1987 estimate);GDP per capita: $ 360 (1986).
☐ Trade balance: N1.6bn (1987 estimate).
☐ Foreign debt: $26.2bn

Profile of Wole Soyinka, the first African laureate

Outspoken man of letters

"THE MAN DIES in all who keep silent in the face of tyranny" – this thought is a constant theme in the life and works of the outspoken Nigerian writer, Mr Wole Soyinka, winner of the 1986 Nobel Prize for Literature.

Poet, dramatist, novalist and journalist, he personifies Nigeria's fascination with politics and the population's irrepressible urge to *speak out on any and* every issue.

"The balance sheet is very often on the side of outrage," Mr Soyinka admitted recently in an interview in his home town of Abeokuta, north of Lagos.

"Take, for instance, the recent military-civilian clashes which have been going on intermittently in the country. These resulted in my writing an angry article in the newspapers... It's just that one is sitting down quietly doing one's own work, and then the public, of which we are a member, gets slapped in the face."

The rulers and the ruled should not, he says, be masters and slaves. Although a supporter of President Ibrahim Babangida since he came to power three years ago, Mr Soyinka does not hesitate to declare his opposition to the principle of military rule and to hold the President responsible for some of the excesses of the Nigerian armed forces.

His most scathing criticism is reserved for the earlier and outstandingly corrupt civilian regime of President Shehu Shagari. One of its leading figures, he suggests, should simply be hanged from the nearest lamppost – "It was the police then," he says, "which savaged the people to a degree which they never experienced even under military rule...the country was literally handed over to police thugs."

Mr Soyinka's frankness – some would say arrogance – has landed him in trouble in the past, and he was detained by the federal government for two years in 1967 when he tried his hand at resolving the civil war and visited secessionist Biafra. He wrote about his prison experiences in his poetry and in the prose work, *The Man Died*.

Nigeria's Nobel prize winner, one of his compatriots told me, is part of a group of people who act as the conscience of the nation. For Mr Soyinka himself, the role of the intelligentsia is clear – "since we are supposed to be more articulate and we have access to the media in a way in which millions do not, I suppose one feels a sense of responsibility to articulate the anguish of the public."

Committed to what he calls a socialist direction for society, Mr Soyinka has no time for ideological extremes and no illusions about African governments. One of his dramatic works, *A Play of Giants*, ridicules four of the continent's most notorious heads of state - Amin, Bokassa, Mobütu and Nguema.

Even those he has long supported, such as Mr Julius Nyerere of Tanzania, do not escape unscathed – "He (Nyerere) has made lots of mistakes and one of the things I admire abont him is that he has admitted his mistakes," says Mr Soyinka. "But then again, one must criticise leaders who, like Nyerere, stay so long in power, I think a whole generation is a long time to toy around with the fate of a country – only to admit in the end that you made a mistake."

Politics, of course, is not everything. In his work and conversation Mr Soyinka casts a perceptive and humorous eye on village traditions, religious charlatans, city life and the often strained relations between Africans and foreign visitors. "You'll find that Italians – whom sometimes I call white Nigerians – integrate much more easily than, let us say, the other Europeans – certainly more easily than Americans."

The Irish, too, are good mixers, it seems, entering easily into African life. And the British? "Oh, the British never do, never, never, ever do. But I give the majority of them B-plus for trying."

In his 50s, (he was born in 1934 and is a graduate of Leeds University), Mr Soyinka is hard at work in various fields, including film, poetry and theatre. He has just completed an adaptation of Jean Genet's *The Blacks*, for the Royal Shakespeare Company. A new volume of poetry is due to appear shortly.

That should still leave time for hunting – "I go out with our traditional hunters and we hunt antelopes and grasscutters (rodents) and wildfowl and so on...we eat what we kill."

Abeokuta, he says, is thought to be the first town in Nigeria to have been Christianised – "so you could say that Western influ*ences did come to this town quite* early. But, at the same time, we lived very close to nature...

"My birthplace in Ake is next to massive rocks, the forest surrounded us and so you had this sense of a constant communion with nature. We used to go to the farms and walk through the bush to where my father had a little farm.

"Both aspects were, for me, just parts of the whole scene of existence. I didn't feel there was any contradiction, I didn't feel there was any clash. I probably gravitated a lot towards the serenity of the countryside. But again, when I say that, I just as well love the rumbustious existence of the city, the noise. For me, it's *all* life."

Victor Mallet

Wole Soyinka: poet, dramatist, novelist and journalist

☐ *"The Man Died" has recently been reprinted in paperback by Arrow Books. Other works include the play "Death and the King's Horsemon," (published by Methuen); the poetry collection, "Idanre ond other poems," (Methuen); and the novel, "The Interpreters," (Heinemann).*

Tips for business visitors to Nigeria's commercial capital

Life in Lagos is improving

Modern expressways leading to the centre of Lagos. Traffic problems are less severe nowadays.

THERE IS no escaping the fact that Lagos has a grim reputation among travellers inherited from the chaotic days of the oil boom. Old hands delight in regaling the timid first-time visitor with gruesome stories of corruption and violent crime.

But, in many ways, life has improved. Lagos, which once had the dubious distinction of being the most expensive city in Africa, is for foreigners now one of the cheapest. Traffic jams have been moderated by economic austerity, and increased fares have eliminated some of the chaos formerly associated with air travel.

Lagos is a lively, modern city well-equipped with restaurants and other amenities, although it must be said that the electricity supply (230 volts in theory) and the telephone service both remain erratic. However, there is no reason why the visitor, armed with sound advice, should not enjoy a trip to Nigeria. Here are some tips:

■ **At the airport:**
Most visitors require visas. You should also have a yellow fever veccinetion certificate (although the health checkpoint may not be manned) and you will probably be required to show an onward or return ticket.

After the immigration officials in Lagos have stamped your passport and flung it back on the desk, you should collect a currency form and then queue for the bank. Overseas visitors are obliged to change $100 into naira on arrival, but African passport-*holders need change only $50.* Keep the yellow form to hand in when you leave.

Except in an emergency, petty bribes in Nigeria are largely unnecessary. Once through customs yon will need – unless you are being met – an airport taxi or "hire car." *The normal yellow* cabs are not allowed to pick up passengers at the airport terminal, although they are allowed to drop you there.

A tout will guide you to a "hire car" parking spot, where you should try to pick a sound vehicle. One which I took lost a wheel, 200 yards *out* of the airport. A ride to Victoria Island or Ikoyi could cost anything between N25 and N50 and a trip to the Sheraton Hotel, in nearby Ikeja, considerably less. Prices are likely to rise in line with proposed increases in the cost of petrol.

When you leave remember that you are not allowed to export more than N20 in local currency, but remember also that you need N50 airport tax for international flights. For domestic flights the fee is N5.

British Caledonian serves Lagos and Kano from London. Other airlines flying to Nigeria include KLM, Sabena, UTA, Varig, Swissair, Lufthansa, Iberia, Ethiopian, and the state airline, Nigeria Airways.

■ **Transport in Nigeria:**
If you have no access to a company car, you will find it convenient to hire a yellow cab by the day or the hour (perhaps N15 or N20 per hour). Some are air-conditioned.

Air travel within Nigeria has been eased by a recent doubling of fares, and a boarding card is now much more than a lottery ticket for a seat on the plane. But *there is no advance booking for* domestic flights and it is advisable to arrive early or send a driver to check you in. Nigeria Airways has daily flights to major state capitals. From a separate domestic terminal you can catch the flights of the indepen*dent airlines, Okada, Kabo* and Gas.

■ **Communications:**
International telephone calls appear to be easier since an eight-fold increase in prices this year, part of which was to compensate for the devaluation of the naira. Calls within Lagos can be difficult, between cities even more so. Telex is erratic. Courier companies are widely used and international telegrams are also effective.

To make appointmants with government officials it is often easier to call round in person, particularly the first time. Business cards are essential.

■ **Money:**
International credit cards are hardly used, except at a couple of major hotels. You will probably need to bring plenty of travellers cheques, and to carry around substantial amounts of naira. In late February, $1 was worth N4.29. (A naira is made up of 100 kobo).

■ **Health and security:**
Take malaria pills, as recommended by your doctor. The climate in southern Nigeria is hot and sticky, but many offices and houses are air-conditioned. Water is often filtered and boiled as a precaution.

Armed robbery is a problem in a few cities. Some residents of Victoria Island and Ikoyi will tell you that they do not like to venture ont of these prosperous areas of Lagos late at night. Others are not so cautious. Take local advice.

■ **Leisure:**
There is plenty to do in Nigeria for those with a day or two to spare, including a game of tennis, a visit to a national park, a tour of local markets, or – in Lagos – a boat trip to the beach or an *afternoon at the polo club.*

Local newspapers are tabloid in shape, many in number and prone to inaccuracies. They range from the more serious *Business Concord, The Guardian* and the *Daily Times* down to the weekly *Lagos Weekend*, whose forthright treatment of sexual affairs makes Britain's *Sun* look positively coy. Weekly magazines such as *Newswatch* and the *Nigerian Economist* are more informative. Foreign publications are also available in Lagos.

■ **Accommodation:**
Many companies operate comfortable guest houses for visitors. For those wishing to make numerous telephone calls, hotels can be a disadvantage. Among the best in Lagos are:

☐ Sheraton, located in Ikeja near the airport. Useful for that area, but some distance from embassies and businesses on Victoria Island and Ikoyi. Tel 900930-9, telex 27202/3.

☐ Eko Holiday Inn, Victoria Island. Tel 615000, telex 22650.

☐ Federal Palace Hotel and Federal Palace Suites, Victoria Island. Tel 610030/1.

☐ Ikoyi Hotel, Ikoyi. Tel 603200-8, telex 22632.

☐ Hilton Hotel, Ikeja. Tel 960604, telex 26329.

☐ Bristol Hotel. Tel 661201, telex 21144.

☐ Mainland Hotel. Tel 841101, telex 21595.

In Kano:

☐ Daula Hotel. Tel 5311-3, telex 77241.

☐ *Central Hotel. Tel 5141*, telex 77151.

■ **Lagos restaurants:**
The city offers a broad selection of food, from Indian to French. Allow at least N120 per head for the most expensive. Some recommendations:

☐ Atlantic Nightclub in the Federal Palace Hotel, Victoria Island; Italian food. Tel 615710.

☐ Bagatelle, 208/212 Broad St, Lagos; continental/Lebanese. Tel 662410.

☐ Shangri La at top of Eko Holiday Inn. Expensive, Chinese food and good views. Tel 615000.

☐ La Brasserie, Adetokunbo Ademola Street, Victoria Island; excelleot Indian food upstairs, continental downstairs. Tel 615464.

☐ *Antoine, 61 Broad St, Lagos*; continental food. Tel 664881.

■ **Diplomatic missions include:**
British High Commission tel 619531/37/41/43 and telex 21247; West Germany tel 611011; France 603300; United States 610097; European Community 617852; World Bank 616196/616044.

Victor Mallet